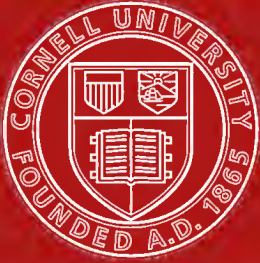


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Loans to Speculators produce tax free
bonds for rich investors. 2d ed.
-Farm Mortgage Bankers Assoc. 1920



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LOANS TO SPECULATORS

Produce Tax Free Bonds

For Rich Investors

VIOLATIONS OF LAW ENCOURAGED BY
THE FEDERAL FARM LOAN BOARD

THE IOWA LAKE LOAN AND OTHER
UNLAWFUL CASES

(SECOND EDITION)

Published in the Interests of
FAIR TAXATION

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PUBLISHER'S STATEMENT

Like all other experimental schemes for public betterment, the test of actual trial has shown, in three years of operation, that the Federal Farm Loan Act could be improved by amendment. Heavy income taxes levied on a graduated scale to pay war debts, have brought out with startling distinctness the most vicious defect in the law. This naturally leads to ignoring the precautionary provisions of the law in order to produce a large volume of tax-free bonds to satisfy the demands of wealthy tax-evading investors.

Large loans are made to rich farmers, while small farmers are often overlooked. Real estate speculators and non-resident owners are financed, though the law requires that loans be confined to men who cultivate their own land.

Federal supervision and the co-operative feature of the act were considered the most important points in the law when it was enacted. These would not be impaired if the tax exemption section were repealed.

The practical results of the law were discussed at length by Congressman L. T. McFadden in his speech of June 16, 1919.

Many good loans are made by the Federal Land Banks. They also make great numbers of loans which prudent private investors refuse as hazardous and excessive. Good business judgment and restrictions of law have too often been cast aside in the effort to secure a large volume of loans and in the intent to make the system politically popular with the borrowers.

Considerable space is given in this pamphlet to the Iowa Lake loan, because the question of veracity is involved. The Omaha Federal Land Bank made a bad loan and also violated the plain intent of the law in so doing. Mr. Varick C. Crosley, a reliable citizen of Webster City, told the truth about it. The Omaha bank officials tried to discredit Mr. Crosley by their denials.

The Portland, Ore., "Journal" of September 18, 1919, attempts to justify an editorial on the Iowa Lake loan and proves that the Federal Farm Loan Board has either been badly deceived or its representative is misquoted. In either case the Board owes Mr. Crosley a public apology. The Portland "Journal" says:

Judge Lobdell, a member of the Farm Loan Board, was in Portland the other day. He told the writer of the editorial that the case in Iowa had been fully investigated by the Board, and that everything connected with it was proper and the loan completely justified.

A private citizen like Mr. Crosley is at a great disadvantage both as to prestige and publicity facilities when engaged in a dispute with Washington officials or with a large bank which prints and distributes attacks upon him that go to thousands of people who never hear his side of the case. Several agricultural newspapers have been deceived. The statements made by the Federal Land Bank authorities in connection with the Iowa Lake loan are so inexcusable that the public will look with suspicion on any other reports made by them.

The purpose of this publication is to show the weakness of a system which permits fraudulent transactions of this kind to take place in the most reliable agricultural state in the world. What a critical congressional investigation would reveal in less favored farming localities can be easily imagined.

The statements, facts and conclusions set forth in this pamphlet are supported by data furnished from reliable sources and are believed to be correct in every particular. Comments, criticisms, and additional facts are invited.

FARM MORTGAGE BANKERS ASSOCIATION OF AMERICA,
112 West Adams Street, Chicago, Ill.

E. D. CHASSELL, Secretary



IOWA LAKE FARM IN JUNE, 1918

The inadequate outlet for the drainage system, in addition to the sliding down and filling in of the big ditches, causes floods in cases of severe rains. This picture was taken in June, 1918, when a neighbor says "it filled entirely and looked like the original lake." Another neighbor says that good-sized boats could have been run on it for several days. It would take weeks for the water to dry out of the saturated peat. High dump of main ditch, on which trees stand, is nearly submerged with several hundred acres of flat land.

Honest mistakes can be excused. Bad loans might be made by mistake and they could be canceled. Federal Farm Loan officials declare this loan to be good and completely justified. The facts set forth in the following pages demonstrate that their statements and their judgment on this loan are not worthy of confidence. A careful search would reveal many worse loans than the samples herein described.

TAXPAYERS MUST DECIDE

Is it worth while to pay heavy taxes and to suffer losses through depreciation of Liberty Bonds, so that the Federal Land Banks can make loans to real estate speculators to enable them to furnish tax-free bonds to rich tax-dodging investors?

The tax-paying public will say "no" when fully informed as to the facts. It is charged that Federal Land Banks loan to men who are not farmers, that they loan more than the legal limit of \$10,000, that they loan to men who do not cultivate their own land.

It is not claimed that all loans are in violation of the law, nor a majority of them, but it is charged that the published rulings of the Federal Farm Loan Board encourage practices not sanctioned by law.

To prove the charges against the Federal Farm Loan Board it is only necessary to refer to the official organ of the board, the, 'Borrowers' Bulletin.' In the issue of April-May, 1919, ample encouragement will be found for many gross violations of the law. The literature issued by the Board is the only evidence needed to prove the charges.

In Iowa about 97 per cent of the land is tillable. If economic crimes are committed in Iowa in the name of the Farm Loan Act, what can be done in states where more than one third of the land is unfit for agricultural purposes?

COSTS \$601,820 THIS YEAR

In addition to the enormous loss that is and will be caused by tax exemption, this system costs in cold cash over half a million dollars a year to the National Treasury. At the present time the Federal Land Banks are using over eight million dollars' worth of free capital, which was furnished them by the Treasury Department in compliance with the law providing that no interest, profit or dividend shall go to the National Government for the use of the money. We are now paying $4\frac{3}{4}\%$ interest on several billion dollars' worth of bonds which the Government had to sell to get money to use to replace the free money invested in Federal Land Bank stock. That costs \$360,000 a year. The appropriation for the expenses of the banks and the Farm Loan Bureau for the current year is \$241,820. Altogether that is \$601,820 of a cash outlay.

THE IOWA LAKE LOAN

BRIEF HISTORY OF A SWAMP THAT IS NOW FAMOUS

Congressman L. T. McFadden, in a speech June 16, 1919, stated that the Federal Land Banks have violated the law in loaning more than \$10,000 to individual owners of farm lands. He cited a loan of \$41,300 made to Hoyer and Shultz, real estate dealers of Fort Dodge, Iowa, on Iowa Lake located about thirty miles from their place of residence. He further stated that a large part of the land covered by this loan of \$41,300 was a swamp or peat bog, non-productive. The excessive loan was obtained by conveying the land to dummy owners who were the nominal borrowers.

The Omaha Land Bank does not deny that the law was violated in making the excessive loans. It alleges that the property is desirable and that the loan is a good one and that the evidence of Mr. Varick C. Crosley, an abstractor of Webster City, is not reliable. Mr. McFadden's assertion was based upon evidence furnished by Mr. Crosley. The mis-statements made are so gross as to be absolutely inexcusable, showing helpless incompetency on the part of the Omaha Federal Land Bank officials.

The loan has been investigated by reliable men. Mr. Crosley's statement is conservative. Mr. McFadden's reference to the swamp is fully justified. The Omaha Bank's denial is inaccurate in many respects.

Letters from over a dozen farmers, bankers and others who have been familiar with this lake for twenty and thirty years, fully support the statements of Mr. Crosley.

Most of these men have land adjoining or in the immediate vicinity of the tract. One taught school in the neighborhood and boarded on the farm. The bankers live at Williams, the nearest town, located about six miles from the lake. Several of these men say they would not consider the lowland worth over \$50 an acre as a speculative value, and that it would not pay interest and taxes on that valuation at the present time. These letters were written about the first of September, 1919. Among them are two from loan companies refusing to loan \$40,000 on this land in 1917. One of these companies, after careful investigation of the land and records, reported to the agent soliciting the loan, that it would not consider a loan of \$35,000.

Pictures taken on the tract while the loan was pending, evidence of men who have been importuned to make loans on this land in years past, and a critical examination of the tract at the present time by competent examiners, demonstrate that Mr. Crosley and Mr. McFadden are fully justified in their statements.

The law has been grossly violated in making a loan in excess of the limit of \$10,000 to non-resident owners who are not actual farmers.

A large part of the land is of little or no present value for agricultural production. It is doubtful if it ever will be.

The loan is highly speculative.

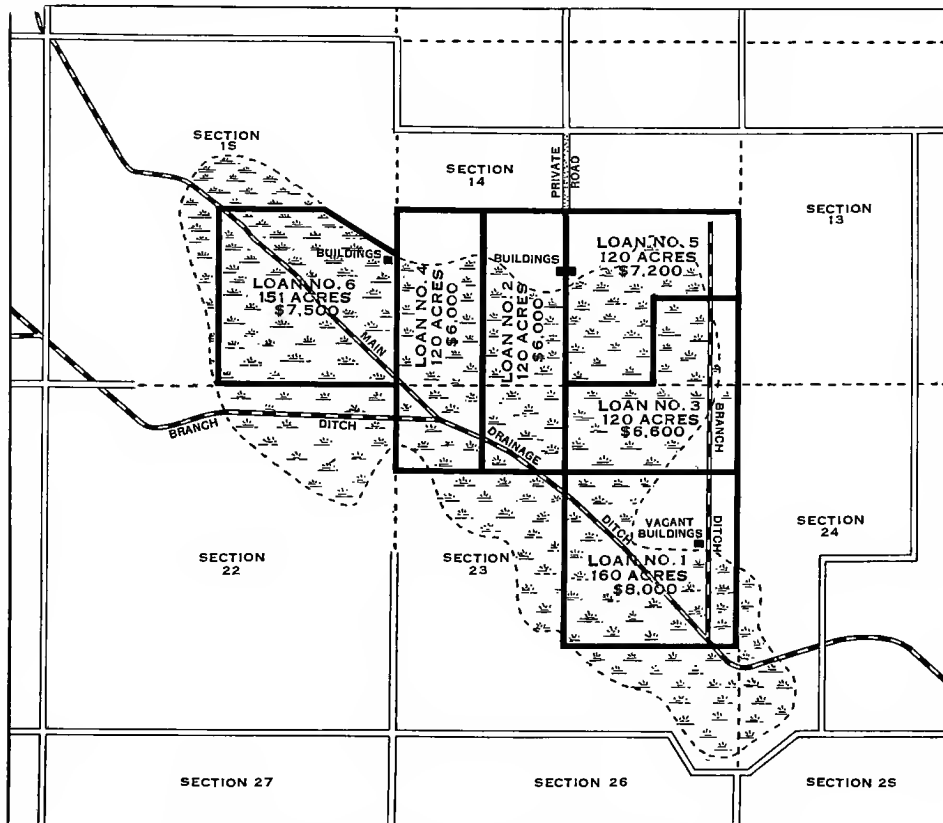
The productive capacity does not warrant the belief that interest and amortization payments on \$41,300 will be earned during the next thirty-five years by the land mortgaged.

The law provides that every land bank shall be liable for the interest and principal of the bonds of the other eleven banks. Each farm borrower is obliged to take five cents in stock for every dollar he borrows. The farmer is

liable to a personal assessment for the full amount of his stock, as well as to a loss of his stock, because it has a double liability. Federal Land Bank literature denies this, but it is so stated in the law. For every 95 cents a borrower receives, he incurs a liability of \$1.05. This liability depends on the careful management of the banks and local associations. Every farm borrower is interested in the Iowa Lake loan because his bank stock is liable for it to a certain extent.

Letters, pictures, a map of Hamilton County and all other necessary evidence to prove every statement in detail, have been secured and will be furnished to the congressional committee when desired.

Stereopticon views of the swamp and buildings were thrown on a screen at the annual convention of the Farm Mortgage Bankers Association, September 23, 1919.



IOWA LAKE NEIGHBORHOOD, TOWNSHIP 88, RANGE 23,
HAMILTON COUNTY, IOWA

The original shore line of Iowa Lake, as meandered by United States Government surveyors, is indicated by the dotted line around the edge of the swampy lake bed. Land outside the shore line of the original lake is shown white. Tracts enclosed with black lines show the lands on which six loans, aggregating \$41,300, were made to Hoyer and Shultz of Fort Dodge by the Omaha Federal Land Bank. A little dry land shows on all of the tracts except Loan No. 6. Loan No. 4 is extra good, as it has dry spots on both ends. The lands that secure the loans constitute 791 acres of the original 1,065-acre tract traded in by Frank Gotch.

This map was drawn from an official county atlas. The swampy character of the land made it impossible to build roads either on or near the land on which the Omaha loan was made.

Public roads indicated by lines — do not touch the lands covered by the loans.

REPORT OF LOANS MADE BY THE FEDERAL LAND BANK OF OMAHA
ON THE "IOWA LAKE FARM" IN HAMILTON COUNTY, IOWA
\$41,300 Borrowed on Land Conveyed for \$6.00

The following signed statement was made by one of the most reliable abstracters in the State of Iowa, Mr. Varick C. Crosley, of Webster City. He examined the county records, viewed the land and is fully informed as to the history of the case. Mr. Crossley says:

Records in the office of the Recorder of Hamilton County, Iowa, show that on April 9, 1919, the following Warranty Deeds, each with a consideration of \$1.00 and gift, and all dated March 20, 1919, conveying land in Township 88, Range 23, were filed for record.

No. 1. H. G. Hoyer and wife, Wanda, to Henry A. Shultz for Und. $\frac{1}{2}$ of the W. $\frac{1}{2}$, S. W. $\frac{1}{4}$, Sec. 14, and N. W. $\frac{1}{4}$, N. W. $\frac{1}{4}$, Sec. 23, 120 acres.

No. 2. Henry A. Shultz and wife, Henrietta, to Henry G. Hoyer for Und. $\frac{1}{2}$ of the W. $\frac{1}{2}$, S. E. $\frac{1}{4}$ and N. E. $\frac{1}{4}$, S. E. $\frac{1}{4}$, Sec. 14, 120 acres.

No. 3. Henry G. Hoyer and Henry A. Shultz and wives, to Fred C. Minogue for S. $\frac{1}{2}$, N. E. $\frac{1}{4}$ and N. $\frac{1}{2}$, S. E. $\frac{1}{4}$, Sec. 23, 160 acres.

No. 4. Same as No. 3 to Henrietta Shultz for E. $\frac{1}{2}$, S. W. $\frac{1}{4}$, Sec. 14 and N. E. $\frac{1}{4}$, N. W. $\frac{1}{4}$, Sec. 23, 120 acres.

No. 5. Same as No. 3 to Cyrill H. Mailander for S. E. $\frac{1}{4}$, except nine acres Sec. 15, 151 acres.

No. 6. Same as No. 3 to Wanda Hoyer for S. E. $\frac{1}{4}$, S. E. $\frac{1}{4}$, Sec. 14, and N. $\frac{1}{2}$, N. E. $\frac{1}{4}$, Sec. 23, 120 acres.

There were no internal revenue stamps affixed to the above deeds and mortgages, all in favor of the Federal Land Bank of Omaha, dated March 25, 1919, as follows:

No. 1. Fred C. Minogue and wife, for \$8,000 on land, see No. 3 above.

No. 2. Henrietta Shultz and husband, for \$6,000, on land, see No. 4 above.

No. 3. Wanda Hoyer and husband, for \$6,600, on land, see No. 6 above.

No. 4. Henry A. Shultz and wife, for \$6,000, on land, see No. 1 above.

No. 5. Henry G. Hoyer and wife, for \$7,200, on land, see No. 2 above.

No. 6. Cyrill H. Mailander and wife, for \$7,500, on land, see No. 5 above.

Total \$41,300, covering 791 acres.

HISTORY OF LANDS

The lands covered by these mortgages are a part of what was known as original "Iowa Lake" and Government lots adjoining, containing 1,065 acres, the Lake proper, within the meandered line, and under original Government survey, 886 acres, and the lots under same survey 179 acres.

As shown by the deed records of Hamilton County the meandered portion of "Iowa Lake" was patented to the State of Iowa by the United States on December 7, 1904, under Swamp Land Grant of September 28, 1850, and patented by the State of Iowa to Hamilton County, Iowa, December 23, 1904.

On October 5, 1894, Hamilton County sold all interest it had, or might thereafter acquire in "Iowa Lake," to H. E. Long for \$4,500 cash. The county attempted to repudiate the sale and on suit decided by the Iowa Supreme Court, the county lost, and on February 15, 1896, made a quit-claim deed to said Long.

LITIGATION OVER TITLE

Long conveyed to W. J. Chamberlin and John S. Wiley, February 14, 1896, consideration \$12,000, they to Leroy S. Scott on December 12, 1898, for a consideration of \$10,000, Scott purchased all the Government lots from E. R. Moon, owner of the Government title thereto, on December 15, 1898, consideration



NEAR CENTER OF LOAN No. 1

Looking northwest from junction of north branch ditch with main ditch near center of Loan No. 1. A torrent of water sweeps through here when snow melts or after heavy rains, shown by the way the brush lies on the bank. Reference to a sectional map of Iowa shows this Hoyer and Shultz farm to be the natural drainage basin for more than a township, requiring much drain capacity to handle the floods that accumulate.

\$11,300, and conveyed, on February 28, 1899, all "Iowa Lake" and the Government lots, consideration \$13,350, to John H. Moore. Moore conveyed all to D. J. McMahon on October 10, 1904, for a consideration of \$57,000.

BECOMES A TRADING PROPOSITION

At the time of the last mentioned conveyance there were several mortgages against said land, including suits to quiet title, and the details of the last mentioned transfer were to a considerable extent known by the writer. McMahon traded with the State of Dakota, and assumed the payment of the mortgage under suits to quiet title, and McMahon afterwards secured the mortgage suits to a cost of about \$25,000, and the suits to the Supreme Court favorable to him and attention to the same is considered as a part of this report, see Iowa Reports 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152. The opinions deal with the character of the land as a swamp basin for drainage of adjoining lands, and it was held that it was not a "lake bed," etc.

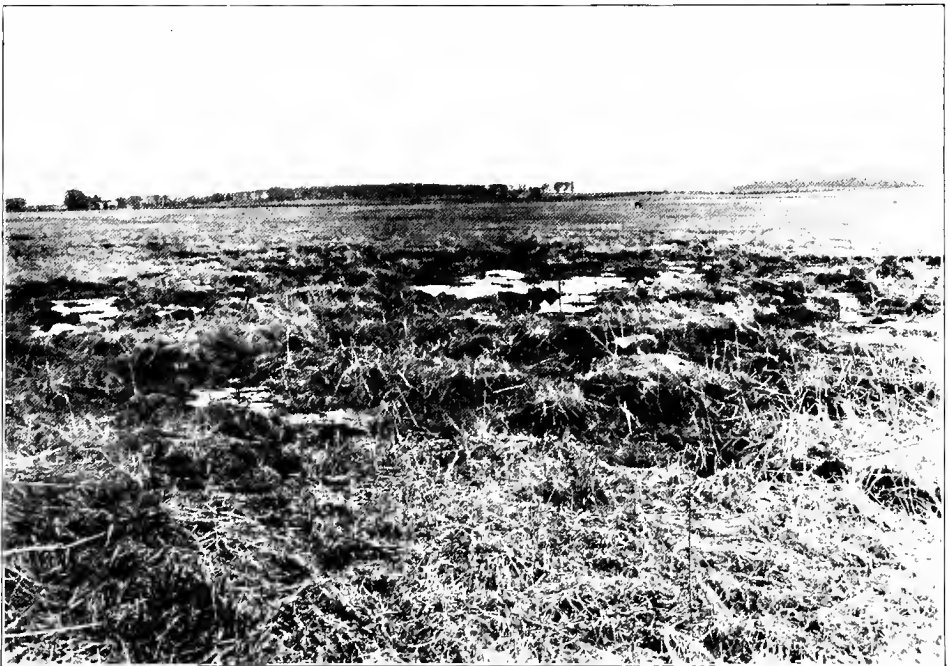
DRAINAGE DISTRICT FORMED

About the time of the redemption from the foreclosure sale by Mr. McMahon the "McMahon Drainage District" was established and open ditches constructed through this land, and the same was assessed for about \$10,000 for benefits, payable in installments, and not all yet completely paid. Shortly after Mr. Mc-

Mahon became the owner of this land he called upon me, seeking to have me negotiate a large loan for him, but the amount sought was such that I was unable to make the loan, and his efforts through me and others along this line were unsuccessful, although a number of farm loan brokers, including myself, made several examinations of the land; finally Mr. McMahon started in to tile some of the land, commencing in the better portions of it on the north, and after he had completed a portion of it I made him a loan of \$8,000 on 495 acres of the best portions of the land, including the Government lots, on which the buildings were situated. This was on October 25, 1909.

RENTALS DID NOT PAY TAXES AND INTEREST ON \$8,000

During Mr. McMahon's ownership of the tract he did not receive enough in rents to pay his interest and taxes, as he so informed me. The class of tenants was generally of the poorer sorts. But once did Mr. McMahon pay his interest and taxes before both became delinquent. His interest ran for months past due and foreclosure proceedings were threatened and at one time were commenced, but he paid the interest and taxes and the suit was dismissed. I think that during his ownership and after I made the above loan I bought the land in at tax sale every year but one. I have been told that Mr. McMahon sank quite a large amount of money in the land. On September 26, 1913, McMahon conveyed this land to Frank A. Gotch (the world's champion wrestler), consideration \$1.00, subject to incumbrances. At that time the incumbrances, including drainage, amounted to about \$23,000, and on September 23, 1914, a second deed was recorded from the same parties to same grantee, for same land, consideration \$45,000, subject to same incumbrances.



PART OF LAND MORTGAGED TO OMAHA LAND BANK

Standing water in holes burned in peat. Swamp grass and marsh weeds in foreground.



VIEW OF HOYER AND SHULTZ PRODUCTIVE (?) LAND

Looking west across Loan No. 6 from a point on east line south of main ditch. Large trees growing on dump of ditch at right prove age of ditch. Swamp grass on level land show slow rental value.

By suit subsequently brought by McMahon in the District Court of Hamilton County, Iowa, against Mr. Gotch, it was claimed that this deed was a mortgage to secure money advanced by Gotch to McMahon. Gotch had conveyed the land to Hoyer and Shultz and they were made parties defendant to the action. While the case was pending Mr. Gotch died, and subsequently, by agreement, the case was dismissed as to Hoyer and Shultz, and same is now pending in the Supreme Court as between McMahon and the Administratrix of the Gotch estate; from an examination of the court proceedings in this case I find testimony as to the value of this land was introduced showing valuations from \$35 to \$80 per acre for the "Iowa Lake" farm as a whole. It was also shown that of the consideration in the deed from Gotch to Hoyer and Shultz hereinafter set out, that Gotch did property received in trade, and in the accounting as Gotch the District Court Judge found and held that \$50,000, including the assumption of the incumbrances, was paid in the deal with Hoyer and Shultz. In their inter- Hoyer and Shultz stated that they had made valuable improvements costing "approximately \$35,000" after their purchase.

On the basis of the cost of said land as found by the Judge (\$50,000) and allowing that \$35,000 had been spent in improvements, the total would bring the cost of the land to around \$75 to \$80 per acre.

TRADED TO HOYER AND SHULTZ

The deed from Frank A. Gotch to Henry G. Hoyer and Henry A. Shultz was dated October 13, 1915, recorded October 14, 1915, in Book 49, page 148, consideration \$69,197, conveys said land, and recites as follows:

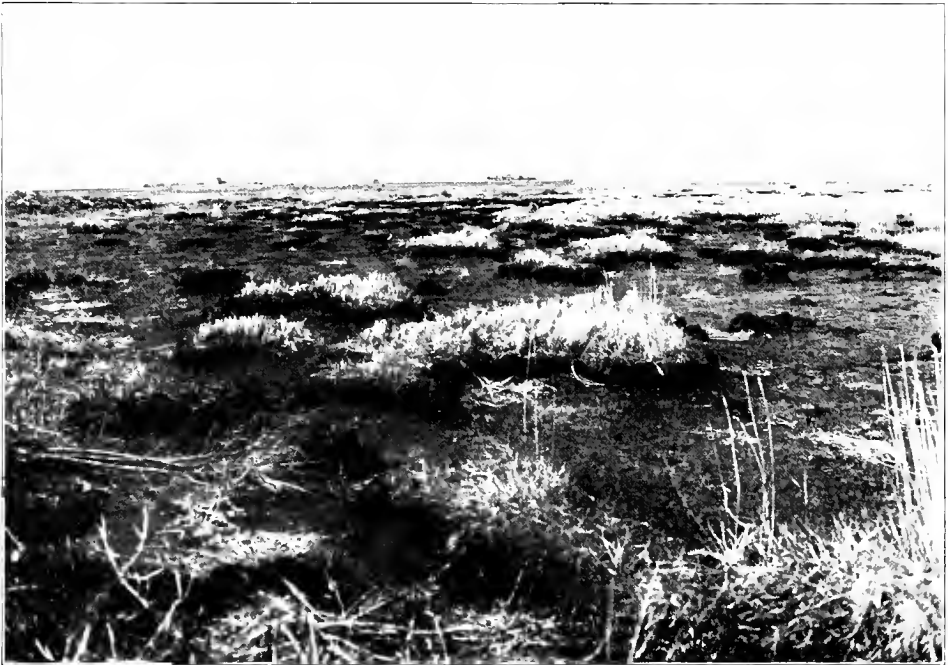
"\$40,000 of said consideration, \$69,197, is represented by purchase price mortgage of \$16,000 which is now against said property, and a new mortgage of \$24,000 is this day made and executed by said H. G. Hoyer and H. A. Shultz to said F. A. Gotch; the balance of said purchase price, \$29,197, being represented by 160 acres of land in South Dakota, known and described as S.W. $\frac{1}{4}$, Sec. 11, Twp. 1, south of Range west of the Black Hills Meridian in Jackson County, together with eight lots in the city of Fort Dodge, Iowa, also the property known as the Upper River Ice Co., together with the equipment, stock, accessories, implements, tools connected with and used therewith, also 35 head of horses, the possession of which has heretofore been delivered to said Gotch. There is a county ditch tax of \$5.900 against the above described property, which the grantees assume and agree to pay as part of the purchase price.

Internal Revenue \$24, canceled F. A. G. & G. G., October 13, 1915.

During the ownership of Messrs. Gotch, Hoyer and Shultz, the interest on the \$8,000 loan and the taxes have been paid when due. I presume the loan is to be paid off from the proceeds of the new loan.

OWNERS LIVE IN FT. DODGE

I am well acquainted with Hoyer and Shultz. They live in Fort Dodge and have been in my office several times to see me about securing a large loan upon the land, and they have, to my knowledge, vainly attempted to secure such loan through others in the farm loan business. Their efforts have at last been crowned with success through the loans made to the Federal Land Bank as herein set out, and which loans I am informed are in violation of the Acts of Congress in that such loans are only to be made to actual resident owners of the land, and not to exceed \$10,000 in amount.



FIFTY DOLLARS AN ACRE LOANED ON THIS SWAMP

Peat partly burned in a dry time. Buildings of neighbors shown on dry land beyond lake shore line.

LOANS TO DUMMY OWNERS

Excepting Messrs. Hoyer and Shultz, *none of the parties making these loans* are owners at all, but are dummy owners, as one of such parties has stated to me personally that he was merely a figure-head in the transaction, to help his friend get a loan; none of the parties, including Messrs. Hoyer and Shultz, are resident owners of this land. They all live in Fort Dodge, Iowa, and are described in city directory as follows:

Henry G. Hoyer, wife Wanda, Live Stock Dealer; office 17 South 8th Street; residence 216 South 14th Street.

Henry A. Shultz, wife Hattie, Farm Lands; office 17 South 8th Street; residence 902 North 3d Street.

Fred C. Minogue, wife Catherine, Real Estate, Loans and Insurance; office 17 South 8th Street; residence 903 6th Avenue, North.

Mr. Mailander is a clerk or employee of Hoyer and Shultz.

PRUDENT INVESTORS REFUSE SUCH LOANS

Opinions as to the value of this land vary. I have been for ten years or more seeking such opinions from men—farmers, bankers, real estate and farm loan men—whose opinions I considered worth while, and such opinions run from \$25 to \$75 per acre for the farm. More recent opinions run from \$40 to \$60 per acre, and some have said, “possibly more, it is hard to tell about the future of such land as to drainage, it being sour, some peat, swamp,” etc., etc., but from an average of such opinions I think it safe to say that the lands, as a whole, are worth from \$40 to \$50 per acre, which would be my own personal opinion as near as I can figure one or render one; in so doing I wish to qualify my statement, as others have done, whose opinions were asked, by saying: “it is difficult to determine the value of this land as there is no similar property by which to make comparisons; what the future of this land may be is difficult to predict. It may some day be good farm land. It may never be such. It is something to experiment with.

SOMETHING TO EXPERIMENT WITH

It is not now productive land as a whole, though parts of it may be. Mostly, the Government lots are fairly good and some of the land along the meandered edge is the same, and it particularly is valuable to the owners of adjoining land; sales of other lands in the vicinity have recently been made at prices ranging from \$150 to \$300 per acre, but for improved and productive land, *all productive*. I think the lots or so-called good land to the north are worth from \$125 to \$150 per acre, some of the “lake land” worth \$50 to \$75 per acre, some of the same worth from \$20 to \$40 per acre, and some worth from nothing up to \$20 per acre, an average for all from \$40 to \$50 per acre, is all the land, in my opinion, is worth. It is also my opinion that the acreage described in some of these mortgages to the Federal Land Bank is not worth more than the amount of the mortgage, and in others the margin of value is not much over and above the amount of the mortgage. To say the least the loans are not the kind that prudent investors would make, or anything like it.

NO PUBLIC ROAD

There is no public road to this land, except at the south end where Sections 23, 24, 25 and 26 join, and the road is not now used to this land as an outlet from it. The north public road to market is located about a quarter mile north of the north line of this land, and to get from this road to the land where buildings are located it is necessary to cross privately-owned land, and only by consent of the owner thereof; there is an action pending in court to open a road, but there are no roads laid out or opened up across this land except on paper (see map).



VIEW ON LOAN No. 6

Looking southeast down main ditch that divides Loan No. 6. Ditch almost level. Waves produced by wind. Large trees have grown since attempts were made to reclaim this lake bed.

SIX MORTGAGES AND CHEAP BUILDINGS

There is one set of fairly good buildings on the land, worth about \$3,000 to \$4,000, and they are located on Loans 2 and 5 in Section 14. There are also two small cottages suitable for summer homes for hired help, and cheap sheds to shelter teams.

Nearly three hundred acres of the "lake land" is not included in the mortgages. Some of the same is very poor, some good and valuable on account of it lying along the meandered edge and adjoining outside good land.

I submit herewith a map of Hamilton County taken from the county atlas. It shows the boundaries of the lake and the roads and the location of the ditches. I have indicated the lands on which the loans were made by Hoyer and Shultz, by numbers corresponding with those given in the first paragraph of this statement. The engraver can copy this in making a map showing the location of this Iowa Lake farm. I also enclose photographs showing the condition of the land.

I can give names of reliable men of the best standing as farmers, bankers, real estate men, and men in the farm loan business, in support of all statements made by me as to the values of the land and as to its quality. All other statements are either of my own knowledge or as shown by public records.

To conclude, will say, that this tract of land has always been known as a "trading proposition," and no known cash consideration has ever been paid for it.

(Signed) VARICK C. CROSLY,

Abstracter, Webster City, Iowa

REJECTION BY A LOAN COMPANY

The unprejudiced opinion of a Loan Company is the best possible evidence as to facts regarding the Iowa Lake farm. The following is quoted from a private letter written April 13, 1917, by the manager of a Loan Company to an agent who tried to secure a loan for the owners of this property:

"I have your letter of April 11th enclosing me the Hoyer and Shultz application for a loan of \$40,000 which you say, if necessary, could be reduced to \$35,000. I was in Hamilton County yesterday and took this matter up with others I had in that district and find that we would not be able to handle this loan for you. My investigation produces the following results:

This land was purchased by these gentlemen in October, 1915, for \$49,000 instead of \$75,000, as shown by the application. They did pay \$69,000 for 1,065 acres. I find further that this was what was originally known as the Iowa Lake Bed and while it may be drained, at the same time I would not care to make so large a loan on a piece of bottom land until the efficiency of the drainage system was established beyond question. Again, as they only paid \$65 per acre for the land a year ago, and as the loan would be about \$50 per acre subject to a \$4.00 per acre ditch tax, it would not appeal to the Provident as coming within their limit of security, for all the present owners have done to speak of, is certain tiling, as the open ditch was already there at the time of purchase."

This original letter will be shown to the Congressional Committee. It is an unanswerable refutation of the claims of the Omaha Land Bank.

A PHOTOGRAPHER WAS EMPLOYED

When the Omaha Federal Land Bank made the loan of \$41,300 to Hoyer and Shultz on the Iowa Lake farm and swamp, Mr. Crosley, of Webster City, was confident that the officials would deny the facts, if the truth of the matter were exposed.

In order to have evidence that could not be successfully disputed, he hired a photographer to go out and take pictures.

It could not be expected that a photographer would be sufficiently interested in such a project as to drive ten or fifteen miles into the country and walk over a thousand-acre swamp on a cold windy day in April and take pictures for nothing.

WHY TAXPAYERS ARE INTERESTED

The six loans by which these non-resident speculators secured \$41,300 created Federal Land Bank Bonds to the amount of \$41,300. In five days of June, 1919, the Federal Land Banks sold \$54,000,000 of these bonds to investors who will pay no taxes on them. Farmers pay higher prices for harness, for harvesters and for nails; women pay more for shoes and clothing because manufacturers must pay the taxes evaded by the owners of the "Iowa Lake" tax-free bonds.

INVESTORS WILL NOT LOSE

The investors who own the \$41,300 of bonds secured by the Iowa Lake loan run very little risk. Hundreds of good safe loans have been made in Iowa by the Omaha Federal Land Bank. The other borrowers are all responsible for the Iowa Lake loan to the extent of 10 cents for every 95 cents they received from the Omaha Bank. Borrowers from Federal Land Banks help each other. They cannot avoid it. The plan is co-operative. The good Iowa farmer is responsible for the loans on poor farms to poor farmers in Iowa, Texas, Idaho, North Dakota or Montana. It is on account of this liability that the borrower is compelled to put \$50 of each thousand into Federal Land Bank stock and also assume a personal liability of \$50 more.

NEITHER CHARITABLE NOR ECONOMIC

Every patriotic American taxpayer is willing to contribute liberally to Red Cross work and to help pay war costs.

Every liberal American would be willing to pay higher taxes to aid needy or destitute farmers whom the public should relieve.

The Federal Farm Loan Act was expected to increase production and reduce the cost of living. Have its good effects been noticed on prices of bread, meat, vegetables or fruits?

The Federal Farm Loan Act was expected to reduce farm tenantry. Loans are made to non-resident landlords and farm tenantry has increased every year.

The Federal Farm Loan Act was expected to help the poor man by making loans ranging in size from \$100 to \$10,000. Small loans are now almost entirely ignored and large loans are encouraged even to the point of violating the law by making loans in excess of \$10,000.

Under the Federal Farm Loan Act, loans were to be made to farmers who cultivated their own lands. Loans are made to doctors, merchants, automobile dealers, lawyers, real estate speculators and others who are not farmers.

The principal effect of the Federal Land Banks has been the creation of tax-free bonds for tax-dodging investors.

Beneficial results from the law have not been so great as to put Federal Land Banks into the class with Red Cross and other organizations supported by public charity and taxation.

SHOULD PAY THEIR OWN EXPENSES

The Federal Farm Loan System now costs the National Treasury over half a million dollars a year. There is no good reason why Federal Land Banks and joint stock land banks should not pay their own expenses as the Federal Reserve Bank does or why they should not pay for examinations as other banks do.

Senator Smoot has introduced a bill to require them to pay their expenses out of their profits instead of out of taxpayers' cash.

There is no good reason why bonds issued by joint stock land banks and Federal Land Banks should be permitted to continue to be a refuge of tax-dodging investors.

Mr. McFadden of Pennsylvania has introduced H. R. 7016 which, if passed, will make all future issues of farm land bonds subject to taxation.

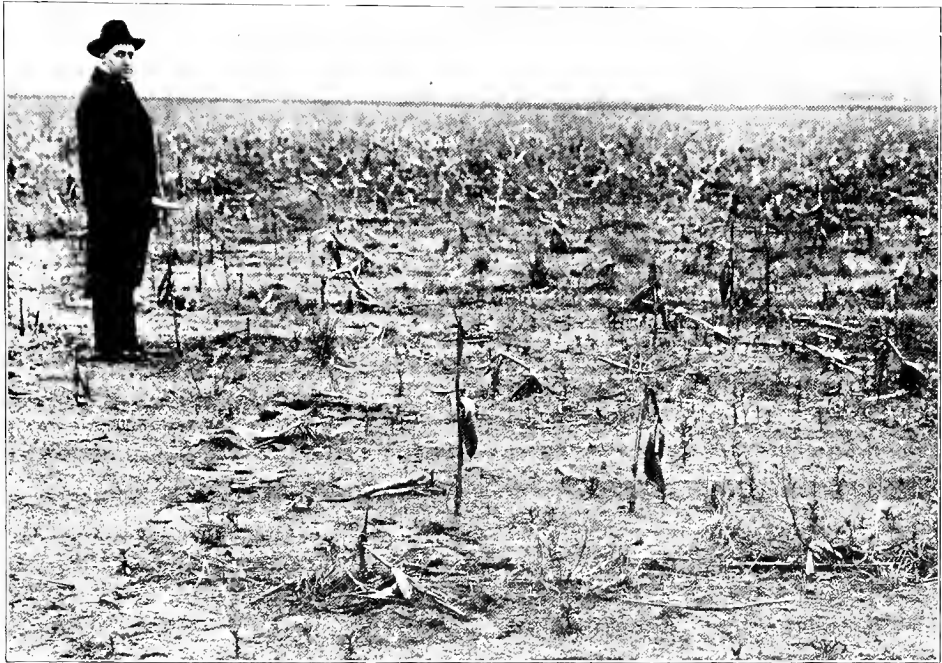
As an economic proposition, the tax exemption of Federal Land Bank Bonds is indefensible.

As a charitable enterprise the Federal Farm Loan System benefits rich investors and wealthy land owners more than small farmers and farm tenants.

If the law is amended to require the banks to pay expenses out of profits and to make investors pay taxes on bonds the system will then be on a business basis.

CO-OPERATIVE BORROWING IS CAUSE OF BENEFITS

Hundreds of pages of testimony and of discussions in congressional committees show that co-operative borrowing and Federal supervision were the strong points urged for the enactment of the Federal Farm Loan Act. There is nothing to show



CORN ON THE FURNAS FARM

that it was expected to be a law to help rich bondholders evade paying taxes. Income taxes imposed since the Federal Farm Loan Law was enacted now make the law an aid to tax slackers. Repeal of the tax exemption section will restore the law to the purposes originally intended.

FEDERAL LAND BANK CORN

On the fertile farms of Muscatine County, Iowa, corn grows so high that a man cannot reach the tops of the stalks by reaching up. On the Furnas farm described by Senator Titus, a man cannot reach the tops of the corn stalks by reaching down. All Federal Land Bank borrowers on good land are responsible for both interest and principal on loans of this kind. This picture was taken in the spring of 1919.

Bond holders need not worry. If the Furnas farm never pays any rent, the other fertile farms will pay both interest and principal on the loan. This is one of the strong points in the Federal Farm Loan Law. The law is in partnership with all other borrowers. That is why it is a safe system.

N ON BUCKNER COARSE SAND MUSCATINE ISLAND VACANT FARM

It is often said of Iowa that a blind man could not make a mistake in buying a farm or making a loan because the land is so uniformly productive and otherwise desirable. In the usually fertile county of Muscatine there is a small area near the Mississippi River that is known as "The Island." The soil is scientifically known as "Buckner Coarse Sand." The following quotations are from the printed report of the soil survey of Muscatine County made by the Experiment Station, Iowa State College of Agriculture:

"The drainage is excessive on account of the open, porous nature of the soil and subsoil.

"This soil is very low in plant food and needs careful treatment for successful crop growth.

"The rotation of crops is essential in this soil for the best growth of truck crops, even more so than where general farm crops are grown on account of the danger of diseased conditions arising in the soil.

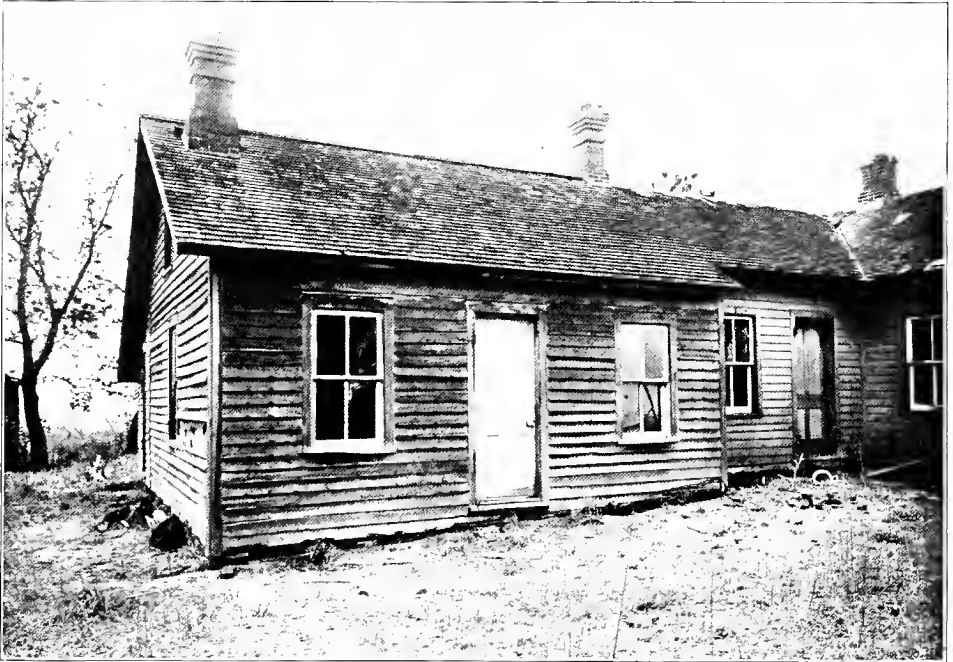
"General farm crops are grown only to complete rotations and are of little value compared with vegetable crops."

In favorable years, when the rainfall is properly distributed, profitable crops of melons or sweet potatoes are raised on these "Island" farms of Buckner coarse sand, but the business is hazardous.

Hon. George M. Titus, a well-known business man and for many years a state senator, is of the opinion that the Federal Land Bank made a poor loan on one of these farms.

THE TITUS OPINION

I hereby state that I am now, and have been for forty-one years, a resident of the city of Muscatine, County of Muscatine, and State of Iowa. During that period I have been engaged in the buying and selling of real estate and loaning money on farms; that I am quite familiar with the values of farm land in Muscatine County, as well as the value of land in most parts of Iowa; that the County Recorder's records of Muscatine County, Iowa, in book 64, page 97, of land mortgage records, show a mortgage by Elizabeth Furnas and Samuel B. Furnas, her husband, to the Federal Land Bank of Omaha, Nebraska, for the sum of \$3,200, at $5\frac{1}{2}$ per cent interest, bearing date February 26, 1919, filed March 3, 1919, covering the following described land in Muscatine County, Iowa, to wit:



HOME ON THE FURNAS FARM

No one lives on the Furnas farm. Chimneys, windows and siding show that it has been vacant for a long time. The soil is so sterile that ordinary grass will not grow around the vacant house.

the S. E. $\frac{1}{4}$ of the S. W. $\frac{1}{4}$, Sec. 29, and the N. E. $\frac{1}{4}$ of the N. W. $\frac{1}{4}$, Sec. 32, Twp. 76, Range 2, West of the 5th P. M.; that I know the fair value of said premises, and that, in my judgment, the \$3,200, which is secured by said mortgage, is more than the full value of said farm, and I believe it would be a difficult proposition to sell the farm for the amount secured by the mortgage; that it is all sand, and it would be impossible to raise grass thereon, a part of it being what is called blowing sand. The buildings are inferior, and not occupied, the owner living on another tract some distance away. A man living not far from this tract told me this week that he would not give \$2,400 for the farm, if he could purchase it for that sum on thirty years' time, without interest. Another farmer residing not far distant from this tract, and who occasionally loans money, said he would not loan \$1.00 on that farm.

Signed this 10th day of April, 1919, at Muscatine, Iowa.

G. M. TITUS



SOIL OF THE FURNAS FARM

and that has been blown smooth by wind. Useless sand bank ure grasses die out. Neglect shows land unprofitable for cultivation products.

NOT PAY EXPENSES IN 1919

There could be no mistake in the report as to this farm, a reliable business man of Muscatine visited it in August, and his report made under oath shows that the man who operated the farm this year could not have received enough income from it to pay for the expense of cultivation, even if no interest, taxes or rent were paid. The affidavit follows:

MUSCATINE, IOWA, August 18, 1919

This is to certify that on the 17th day of August, 1919, I personally inspected the Sam Furnas eighty-acre farm on Muscatine Island, on which the Federal Land Bank of Omaha made a loan of \$40 an acre, and found the following con-

ditions: The house is untenanted, and in even worse condition than expected it this spring. I found a few scattering watermelon plants in the tract between the house and road, comprising about five acres, said plants being too small to have any melons on them. The field was mainly overgrown with weeds and sand burrs.

Twenty-five or thirty acres had been planted in rye and this rye was in shock. From the look of the heads, I should judge that this field would not have a very heavy yield. The field, between shocks, is now heavily overgrown with sand burrs.

The balance of the farm was planted in corn. The stalks, on an average, would not reach to my waist, and very little, if any, of this entire acreage would make even good fodder in quantities which would pay for the cutting. A great many rows had one stalk every five to ten feet and many of these stalks were not over twenty-four inches high.

(Signed) C. C. HAKES

Subscribed and sworn to before me this 18th day of August, 1919

(Signed) JAKE SCHOMBERG,

(SEAL)

Notary Public in and for Muscatine County, Iowa

Officials of the Omaha Land Bank insist that this is a good loan. The bank in Muscatine County which unloaded this loan upon the Omaha bank testifies that the loan is desirable.

The extravagant boom in Iowa lands has so increased the selling prices that many farms are now salable at advanced prices that would fully protect bad loans made six months ago. Intelligent criticism of loans must be based on the productive value of the land and the market price at the time the loans were made.

Few American farmers will want to enter into a co-operative responsibility for interest and principal on loans of this character.

COUNTERFEIT FARMS

A writer in the "Country Gentleman" says:

"He who gives me counterfeit money, robs me for a day; but the man who locates me on a counterfeit farm, robs me of my property, dooms me to years of failure and enslaves me to my own error until time shall have brought my despair to its fruition in confession and abandonment."

Reliable mortgage companies have learned by experience that loans on counterfeit farms are just as bad as investments in counterfeit farms; they therefore avoid barren sand as security. The Omaha bank will probably quit defending loans made on "blow sand" by the time the bonds come due in 1937.

"Counterfeit farms" is the title of an article on farm lands published in the "Country Gentleman" for September 20, 1919, in which the following sensible advice is given: "No man should buy drained lands or lands undergoing drainage at any price, without making a study of the soil, the sufficiency of the engineering works and every phase of the project as exhaustive as can be made. He should never accept the promises or the representations of the owners or of the engineers. They are quite likely to be misled by their advisers. Much swamp-land is peaty and contains little potash, or is deficient in some other elements of fertility. I have seen corn ten feet high grown on drained land, which never formed an ear." The writer who thus criticized speculation in peat swamps was Hon. Herbert Quick, for nearly three years a member of the Federal Farm Loan Board, but he resigned about two months before the "Counterfeit Farm" article was published.

CITY RESIDENCE PROPERTY WORSE

Residential loans in villages and cities, as a class, are always considered less reliable than farm loans. Values fluctuate more and buildings form a larger part of the appraised value. The evils of the farm loan system will be intensified and the losses will be greatly increased if tax exempt city loans are authorized by Congressional action.

NOT FOR RICH LAND SPECULATORS

CONGRESS DEFEATS \$25,000 AMENDMENT TO FEDERAL FARM LOAN ACT

By an overwhelming vote the House of Representatives defeated an attempt of the Federal Farm Loan Board to raise the loan limit from \$10,000 to \$25,000, on Wednesday, September 10, 1919.

The debate was on the merits of the amendment, and party politics did not enter into the discussion; both Democrats and Republicans opposed the change.

Mr. Strong of Kansas said: "It is not the purpose of this Bill to furnish money in order to let rich men increase their holdings and become large land owners. The amount that can be loaned under this Act was purposely put at \$10,000 in order to help the small farmer and not to encourage the purchase of large amounts of land." Later in the same discussion, Mr. Strong said that his objections to raising the amount were "Simply because it allows men to go out and mortgage their holdings and buy a large amount of land. It defeats the purpose of the Act which was to accommodate the small borrower."

Mr. Wingo of Arkansas, replying to a statement that men now divide their farms with their wives, and each then borrows \$10,000 on the same farm, said: "There is nothing in the original Act to prevent it, but undoubtedly that is a subterfuge. Under the present existing system a man who gets a loan of \$25,000 must have a farm plant worth \$75,000, because we limit the loans to 50 per cent of the value of the land and 20 per cent of the improvements. When you figure out a farm that would be entitled to a \$25,000 loan, you would find it would be based on a plant worth, in many cases, \$60,000 to \$75,000. I ask what justification is there for the Federal Government to set up a Federal paternalistic agency to assist the man who has a farm worth \$75,000? Can he not stand alone? What public interest is subserved by putting a governmental agency to work in helping a man who is in that position?"

Mr. Blanton of Texas said: "Mr. Chairman, I am not in favor of debauching the Farm Loan Act in behalf of the big borrower of the country."

Mr. Sumners of Texas said: "The very foundation upon which its structure rests is involved. I urge you, gentlemen, that the Federal Farm Loan Act is not legislation enacted primarily to help man make more money; it is legislation enacted primarily to build stronger the foundations upon which the Government rests. (Applause.) And when you amend that Act so as to aid a man with two hundred acres of land, in competition with some man who is not so well fixed, who is trying to buy a little home for himself, you violate the whole philosophy and purpose of the Act. You propose by this amendment to help that man with private credit behind him, who has two or three hundred acres of land—you propose to loan him \$25,000 to go into the market for more land. What chance has the little fellow got under such a legislative policy in competition?"

Mr. Platt of New York said: "Of course, we ought not to increase the limit to \$25,000. This Federal Farm Loan system is a system subsidized by the Government, which furnishes the initial capital, pays all the appraisers and registrars, pays the whole expense of safeguarding and supervising, and there is no reason why we should extend it to reach the rich land owners."

The American people cannot afford to take on heavier tax burdens and to reduce the price of Liberty Bonds below par by continuing tax exemption of farm loan bonds to help speculators and non-resident landlords.

ONE FARMER BORROWS \$32,000

RELATIVES HELP GET LOANS

The way the legal limit was exceeded by more than three times the amount allowed by law is very clearly stated in the following letter from a leading abstracter of Mason City, Iowa:

Established 1877

SHEPARD ABSTRACT COMPANY

ABSTRACTS—FARM LOANS

HUGH H. SHEPARD,
Attorney-at-Law

Member Abstracters' Association of Iowa
and American Association of Title Men
Rooms 505-6-7-8 First National Bank Building

MASON CITY, IOWA, March 24, 1919

E. D. CHASELL, Secretary,
Farm Mortgage Bankers Association of America,
112 West Adams Street, Chicago, Ill.

DEAR SIR:

Replying to your favor asking for exact information about the \$32,000 loan made by the Federal Land Bank of Omaha on the 320-acre farm owned by George A. Ames, I herewith furnish details, complete, as shown by the records in the office of the County Recorder in the Court House at Mason City, Cerro Gordo County, Iowa.

The records show that on January 1, 1919, George A. Ames was the owner in fee simple of the E. $\frac{1}{2}$ of Sec. 14-94-21, subject to a first mortgage of \$24,000 to Schanke & Company of this city on the entire half section, which mortgage was due March 1, 1922, with $5\frac{1}{2}$ per cent interest, with options of prepayment on interest paying dates.

On January 19, 1919, George A. Ames and Margaret M. Ames, his wife, gave a quit claim deed to James McCorkindale for the undivided one-third interest in the S. E. $\frac{1}{4}$ and the S. $\frac{1}{2}$, N. E. $\frac{1}{4}$, Sec. 15-94-21, which deed was filed for record in the office of the Recorder of this county on February 21, 1919, the purported consideration for said deed being \$1.00.

On January 20, 1919, George A. Ames, husband of Margaret M. Ames, gave a warranty deed to Margaret M. Ames for an undivided one-third interest in the S. E. $\frac{1}{4}$ and S. $\frac{1}{2}$, N. E. $\frac{1}{4}$, Sec. 15-94-21, which deed was filed for record in the office of the Recorder of this county on February 21, 1919, consideration \$1.00, and love and affection.

On February 7, 1919, George A. Ames and Margaret M. Ames, his wife, gave a quit claim deed to Nellie McCorkindale for the N. $\frac{1}{2}$, N. E. $\frac{1}{4}$, Sec. 15-94-21, which deed was filed for record on February 21, 1919, consideration \$1.00.

On February 13, 1919, George A. Ames and Margaret M. Ames, his wife, each in his and her own right, and James McCorkindale and Nellie McCorkindale, his wife, gave a mortgage to the Federal Land Bank of Omaha for \$24,000 on the S. E. $\frac{1}{4}$ and S. $\frac{1}{2}$, N. E. $\frac{1}{4}$, Sec. 15-94-21. This mortgage was filed for record on February 21, 1919, in the office of the Recorder of this county, and draws $5\frac{1}{2}$ per cent interest.

On February 17, 1919, Nellie McCorkindale and James McCorkindale, her husband, gave a mortgage to the Federal Land Bank of Omaha for \$8,000 on the N. $\frac{1}{2}$, N. E. $\frac{1}{4}$, Sec. 15-94-21. This mortgage was filed for record on February 21, 1919, in the office of the Recorder of this county, and draws $5\frac{1}{2}$ per cent interest and the principle is repaid on the amortization plan.

On March 1, 1919, James McCorkindale and Nellie McCorkindale, his wife, gave a quit claim deed conveying to George A. Ames and Margaret M. Ames, the entire E. ½ of Sec. 15-94-21, which deed was filed for record in the office of the Recorder of this county on March 6, 1919, consideration \$1.00.

It thus appears that George A. Ames and Margaret M. Ames, his wife, have received \$32,000 from the Federal Land Bank of Omaha, by the intervention of his sister-in-law, Nellie McCorkindale and her husband, James McCorkindale, and that the title of the half section is again back in George A. Ames and wife within the short space of thirty or forty days.

With the present elasticity in the system of closing loans through the Federal Land Bank, I do not understand why it should be necessary to amend the law to increase the loans to \$25,000 to individual farmers. Mr. Ames has already received \$32,000 although the law limits loans to \$10,000.

It seems to be the desire of the Federal Land Bank to get all of the farm loans in the country. Perhaps this is necessary, but I cannot see where the Government makes any money out of it by permitting the large investors to buy the tax exempt bonds of the Federal Land Banks, while the small investors in Liberty Bonds are compelled to sell their Liberty Bonds way below par.

There is an inequality in the value of the Federal Land Bank Bonds and the Liberty Bonds that should not exist, and some of the people who have been obliged to sell Liberty Bonds below par are beginning to get quite indignant at the difference in the price that they are compelled to take and the price that is asked for the Federal Farm Loan Bonds.

They cannot understand why Government bonds should not sell at the highest market price of any bonds.

Yours truly,
(Signed) HUGH H. SHEPARD

AMES RECEIVED \$30,400, LIABILITY \$33,600

In January, 1919, Mr. Ames owed \$24,000 to Schanke & Co., on which he paid 5½ per cent interest. Ames had the use of \$24,000 and he had no outside liability therefor. The owners of Schanke & Co. loan were liable for property tax and income tax on \$24,000.

At the present time Mr. Ames owes the Federal Land Bank in Omaha \$32,000. He pays 5½ per cent interest on \$32,000, but he only received 95 cents on a dollar or \$30,400 in cash, so he is actually paying more than 5¾ per cent interest on the cash he received.

The stock in the Omaha Federal Land Bank carries a double liability which adds \$1,600 more to the amount. Mr. Ames may be called upon to pay if the Federal Land Banks lose money, making his total liability \$33,600 for the \$30,400 which he actually received.

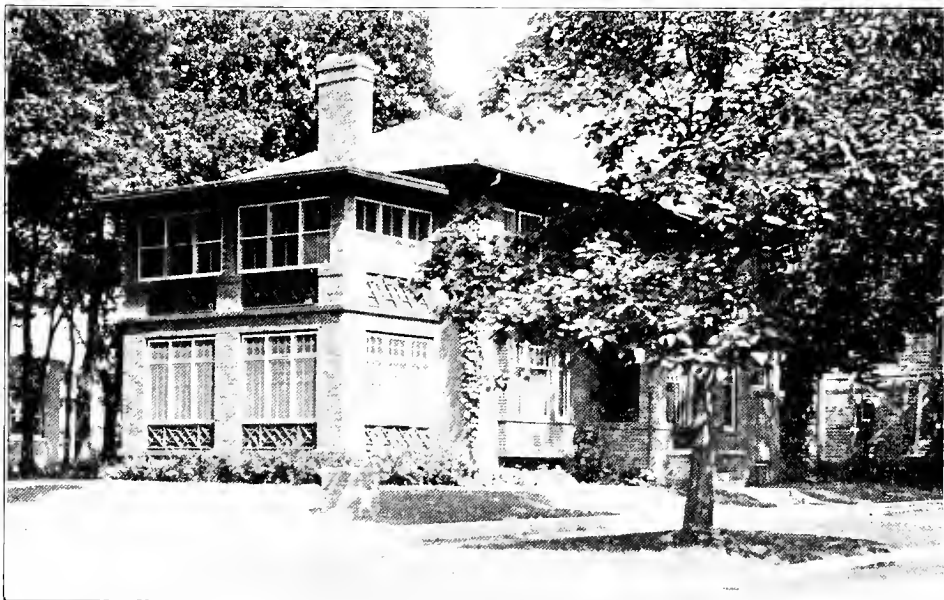
The owners of \$32,000 of Federal Land Bank Bonds, issued for the Ames loan, pay no property taxes on them and no income tax. Other people, therefore, are obliged to pay heavier taxes and Liberty Bonds naturally depreciate, because of this competition with tax-free bonds yielding a larger income.

Tax exemption is a cancer in the Federal Farm Loan Act. It has grown since the war started. Originally the promoters of the law never expected it to become such a menace to the National Treasury. If the tax exemption cancer is cut out, the law will be restored to an honest business basis.

CITY FARMERS MAKE BIG LOANS

WEALTHY RESIDENTS OF FT. DODGE BORROW \$40,000

Typical examples of the frequent violation of the Federal Farm Loan Act appear in cases at Ft. Dodge, Iowa, in which two men living in the city divided their farms with their wives and then borrowed \$40,000 from the Omaha bank on farms that are located six or seven miles from their homes.



RESIDENCE OF A. W. HAWLEY
604 North 13th Street, Ft. Dodge, Iowa

This is the residence of Mr. A. W. Hawley, in the city of Fort Dodge, Iowa.

In March, 1919, he owned a farm of 200 acres in Webster County, Iowa. On April 7, 1919, a deed was recorded by which he conveyed 100 acres of the land to his wife for \$1.00 and as a gift. On the same day two mortgages were recorded showing that Mr. and Mrs. Hawley had each borrowed \$10,000 from the Federal Land Bank at Omaha, giving them \$20,000 secured by one farm. Mr. Hawley could not be seen at his city home in Fort Dodge in early July, 1919, as he was in the east touring with his family in his Cadillac limousine. The city directory of Fort Dodge shows Mr. Hawley to be a farmer.

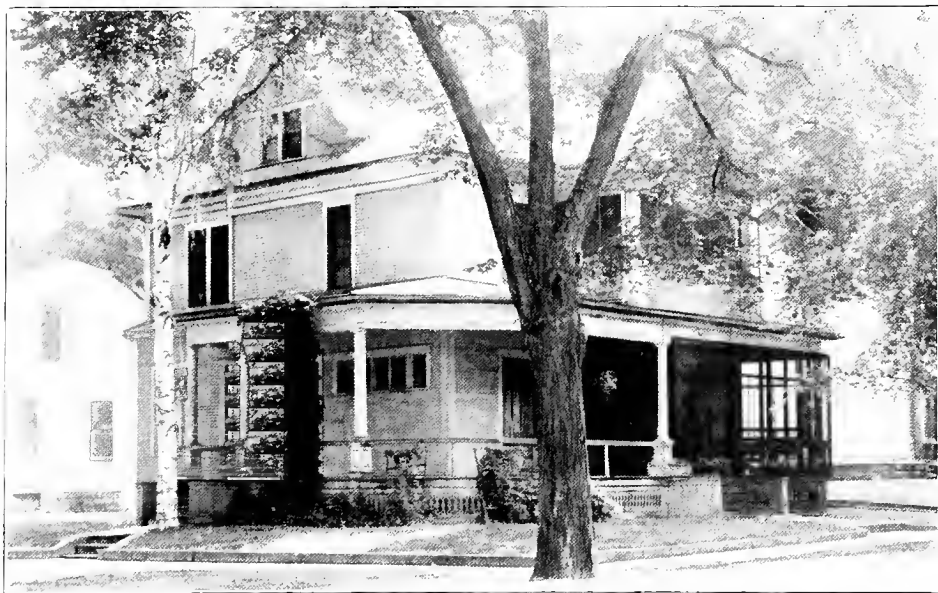
Farming must be a pleasant occupation as it is followed by Mr. Hawley. He lives in this house in Fort Dodge; his farm is located six or seven miles from his residence. It is rented this year by Mr. Lee A. Cripps, under a lease which does not pretend to be a contract of employment. Mr. Hawley's \$20,000 loan is now represented by \$20,000 of tax-free bonds in the possession of some millionaire. This is one of the cases in which tax-free bonds do not reduce farm tenancy.

It is now reported on reliable Fort Dodge authority that Mr. Fitzpatrick has purchased or traded for the Hawley farm. This will enable him to speculate on \$40,000 of 5½ per cent money on which the Government receives no tax.



FARMER HAWLEY'S TOURING CAR

Style of automobile in which Farmer Hawley is taking his summer tour while he earns his daily bread and gasoline by the sweat of his renter's brow. Mr. Hawley is a leading citizen of the city of Ft. Dodge and a man of fine qualities, but no good argument has been presented to prove that the credit of the United States ought to be impaired in order that he may borrow \$20,000 on a farm that he rents.



RESIDENCE OF JAMES FITZPATRICK
1002 Fourth Avenue, Ft. Dodge, Iowa

This is the home of James Fitzpatrick. He is also the owner of a duplex flat building directly across the street from his residence.

Mr. Fitzpatrick owned a farm of 200 acres in Webster County, Iowa. He sold an undivided half interest in the farm to his wife for \$1.00 and as a gift. This deed was put on record March 4, 1919. On the same day a mortgage on the same farm for \$20,000 to the Omaha Federal Land Bank was duly recorded. The deed was dated February 27, and the mortgage February 28, 1919. The abstracters' report shows that two notes were given for \$10,000 each.

Mr. Fitzpatrick's farm is located about seven miles southwest of his home, about a mile and a half southwest of the village of Tara. He probably does not pretend to milk cows on his farm every morning before breakfast.



FARMER FITZPATRICK'S FLAT

This desirable looking building is a flat owned by Mr. Fitzpatrick, the Ft. Dodge city farmer who borrowed \$20,000 on his farm near Tara, Iowa. Without doubt, the children or grandchildren of Mr. Fitzpatrick will pay off the last of that \$20,000 loan when it comes due thirty-five years from now. In the mean time \$20,000 of entirely tax free Federal Loan Bank Bonds will be in the market in competition with Liberty Bonds yielding lower rates of interest and not entirely free from taxation. War widows and other patriotic owners of Liberty Bonds sustain a loss because rich investors can afford to pay more for Federal Land Bank Bonds which enable them to evade more war taxes. If the Home Loan Bill becomes a law Mr. Fitzpatrick will be able to sell his flat to persons who can mortgage it on tax-free bonds.

The photographs and the bank rating of Hawley and Fitzpatrick show that they are financially abundantly able to take care of themselves. Forty thousand dollars of tax-free Federal Land Bank Bonds were sold by the Federal Land Bank to furnish the money for the loans made to Hawley and Fitzpatrick. The income from these bonds at $4\frac{1}{2}$ per cent will be \$1,800 a year. A very wealthy person could sell his taxable securities to small investors and evade paying 77 per cent income tax, or \$1,386 a year. In twenty years, to the due date of the bonds, that would amount to \$27,720 net loss to the National Treasury.

JAMES D. LAWLER BORROWS \$28,000 TAX EXEMPT BONDS HELP LAND SPECULATION

James D. Lawler, a farmer of Webster County, Iowa, owned 279 acres last spring and owed \$16,000 on his farm. He wanted to speculate a little, so he deeded ninety-nine acres to his wife on March 1, 1919, for \$1.00. Mr. and Mrs. Lawler also deeded eighty acres to their daughter, Mary U. Lawler. The deed to Mrs. Ellen J. Lawler recites that it is a gift from husband to wife. No revenue stamps were affixed. The deed to Mary U. Lawler recites that it is a gift from parents to daughter. No revenue stamps affixed.

Following these real estate transactions, Mr. Lawler borrowed \$10,000 on the 100 acres that were left in his name. Mrs. Lawler borrowed \$10,000 on the ninety-nine acres that had been deeded to her. The daughter borrowed \$8,000 on the eighty acres that had been given to her. These mortgages all ran to the Federal Land Bank of Omaha. They were dated February 17, 1919, thirteen days before the dates of the two deeds first mentioned by which the wife and daughter acquired the property.

Following this loan of \$28,000 from the Federal Land Bank of Omaha, Mr. Lawler purchased 320 acres of land. He bought 160 acres from Robert Lawler and wife, deed dated March 1, 1919, and 160 acres from Julia A. Brady, widow, deed dated March 1, 1919.

These purchases increased the size of his farm to 599 acres. The big loan of \$28,000 which he was able to make with the Omaha Land Bank enabled him to engage in this speculation, the purchased land being subject to mortgages. Full details of these transactions are shown by data copied from the records of Webster County, Iowa.

Some fortunate wealthy investor is now the owner of \$28,000 of tax-free Federal Land Bank Bonds and will not be compelled to pay income tax or property tax upon them. Farmers who pay higher prices for their agricultural implements, because manufacturers pay war taxes, and people who are compelled to sell Liberty Bonds at a loss, ought to give this subject careful study. Is it the proper business of our Government to furnish capital for speculating farmers to handle big deals like this?

The land Mr. Lawler now owns is worth more than \$100,000. The credit of the National Government is impaired by granting tax exemptions on Federal Land Bank Bonds.

The owner of United States Liberty Bonds purchased last year, bearing 4¼ per cent interest, will lose sixty dollars on a bond of \$1,000 if he sells now. The poor man who loses the sixty dollars can have the satisfaction of knowing that the friends of the Federal Farm Loan Act say he has helped uplift the farming industry and reduced farm tenancy and increased agricultural production, by helping Mr. Lawler buy 320 acres more land.

LIBERTY BOND OWNERS LOSE

Liberty Bonds are sold at 94 when Federal Land Bank Bonds are sold above par. Liberty Bond owners and taxpayers need to wake up.

Big investors can afford to go into the open market and sell some issues of Liberty Bonds at a loss in order to buy Federal Land Bank Bonds at par to avoid paying 77 per cent income tax, or 50 per cent, or 25 per cent tax.

These bonds are not due for twenty years. Taxes will be evaded until the bonds are paid, causing enormous losses to the National Treasury.

Millions of taxpayers and consumers will be obliged to pay for the benefits that go to a few rich investors.

WILL A. NEEL GETS \$34,800

ABSTRACT SHOWS HOW TRICK IS TURNED

A loan of \$34,800 is a big loan to get when the legal limit is \$10,000, but Will A. Neel of Webster City, Iowa, obtained the large loan on his farm about the last of May of this year. Of course the Federal Land Bank of Omaha joined in with him and helped work the scheme or he never would have been able to raise the limit \$24,800 above the amount authorized by law.

This is the way it was done: On May 15th he executed a mortgage to the Omaha Bank for \$10,000 on 81.8 acres; Glen W. Neel, his son, executed a mortgage on 78.2 acres for \$7,800; Geneva E. Neel, his daughter, executed a mortgage on 69.2 acres for \$7,000. Minnie F. Neel, his wife, executed a mortgage on 95.4 acres for \$10,000. These mortgages all ran to the Federal Land Bank at Omaha and aggregated \$34,800. At the time these mortgages were dated the property all stood in the name of Will A. Neel. Two days afterwards three deeds were made by which Will A. Neel transferred a part of his farm to his wife, and by which he and his wife transferred parts of the land to their son and daughter. These three deeds were put on record in Hamilton County, Iowa, May 21, 1919. The four mortgages were put on record May 26, 1919. On June 12th three deeds were put on record by which the wife and son and daughter all gave back to Will A. Neel the land which he had deeded to them for borrowing purposes.

It took less than a month for Mr. Neel to complete the entire transaction and get the farm safely back again in his own name. The farm comprises 324.3 acres of good land, river bottom and running water. Part of the boundary is the middle of the Boone River. It is a long shoestring tract of land located in Sections 18, 7 and 8 and it is cut by the C. & N. W. R. R. Under ordinary circumstances a loan of over a hundred dollars an acre would not be considered desirable on that farm, but the land boom that is on now may whitewash the loan and make it safe as to amount. The specially objectionable thing about the transaction is that a loan was given more than three times the size allowed by law, and some rich investor will be able to hold \$34,800 of tax-free bonds for twenty years, while other taxpayers will be obliged to pay into the National and local treasuries the taxes that the rich bondholder evades. If the bondholder paid taxes on the bonds, the ordinary taxpayer would not care whether the Omaha bank loaned more than the legal limit or not. As the matter now stands it is a fraud on all taxpayers and it increases the cost of living to all consumers to exactly the extent that the bondholder evades paying taxes.

The records of Hamilton County confirm the abstract shown on next page.

\$54,000,000 FEDERAL LAND BANK BONDS

Sold at a premium in June, 1919, are entirely tax free. They are now competitors in the market with United States Liberty Bonds which the owners are compelled to sell at 94.

Nearly \$300,000,000 of Federal Land Bank Bonds and Joint Stock Land Bank Bonds have been sold and are now helping to keep down the price of Liberty Bonds.

\$4,500,000,000 of farm mortgages, now subject to local taxes and income taxes, are being rapidly refunded into tax-free Federal Land Bank Bonds.

Small investors find it more profitable to buy six per cent taxable securities than to buy 4½ per cent and 5 per cent tax-free securities because neither are subject to Federal income tax in their hands.

About ninety per cent of the American people pay no Federal income tax now because their incomes do not exceed \$2,000.

Big investors get most of the tax-free Federal Land Bank Bonds because they can afford to pay more than small investors in order to evade both income taxes and property taxes.

ABSTRACT OF THE WILL A. NEEL LOAN

The following abstract was compiled from the records of Hamilton County, Iowa:

- 1
Will A. Neel and wife, Minnie F.
to
Glenn W. Neel
Conveys N. W. $\frac{1}{4}$, N. E. $\frac{1}{4}$, and that part of S. W. $\frac{1}{4}$, N. E. $\frac{1}{4}$, lying north and west of Boone River in Sec. 18, Twp. 88, Range 25; 78.2 acres.
States: "This is a gift from husband and wife to son." No Revenue Stamps.

W. D. Dated May 17, 1919 - Recorded May 21, 1919 - Book 50, page 344 - Consideration, \$1.00 and love and affection
--
- 2
Will A. Neel and wife, Minnie F.
to
Geneva E. Neel
Conveys S. W. $\frac{1}{4}$, S. E. $\frac{1}{4}$, Sec. 7, and that part of N. E. $\frac{1}{4}$, N. E. $\frac{1}{4}$, lying north and west of Boone River in Sec. 18, and that part of S. E. $\frac{1}{4}$, N. E. $\frac{1}{4}$, lying north and west of center of Boone River, except one acre, Sec. 18, all in Twp. 88, Range 25; 69.5 acres.
States: "This is a gift from father and mother to daughter." No Revenue Stamps.

W. D. Dated May 17, 1919 - Recorded May 21, 1919 - Book 50, page 345 - Consideration, \$1.00 and love and affection
--
- 3
Will A. Neel
to
Minnie F. Neel, my wife
Conveys that part of S. E. $\frac{1}{4}$, N. E. $\frac{1}{4}$, south of C. & N. W. Ry., Sec. 7; that part of N. E. $\frac{1}{4}$, S. E. $\frac{1}{4}$, south of C. & N. W. Ry., Sec. 7; S. E. $\frac{1}{4}$, S. E. $\frac{1}{4}$, Sec. 7; that part of S. W. $\frac{1}{4}$, lying and being west and south of C. & N. W., and north and west of center of Boone River, Sec. 8, all in Twp. 88, Range 25; 95.4 acres.
States: "This is a gift from husband to wife." No Revenue Stamps.

W. D. Dated May 17, 1919 - Recorded May 21, 1919 - Book 50, page 346 - Consideration, \$1.00 and love and affection
--
- 4
Will A. Neel and wife, Minnie F.
to
The Federal Land Bank of Omaha, Neb.
Covers part of N. W. $\frac{1}{4}$, N. E. $\frac{1}{4}$, lying south of C. & N. W. Ry.; S. W. $\frac{1}{4}$, W. E. $\frac{1}{4}$, less C. & N. W. Ry.; N. W. $\frac{1}{4}$, S. E. $\frac{1}{4}$, Sec. 7, Twp. 88, Range 25; 81.2 acres.

- Mortgage. Dated May 15, 1919 - Recorded May 26, 1919 - Book 73, page 147 - Consideration, \$10,000

- 5
Glenn W. Neel, single
to
The Federal Land Bank of Omaha, Neb.
Same as 50/344 No. 1, above; Sec. 18, Twp. 88, Range 25; 78.2 acres.

- Mortgage. Dated May 15, 1919 - Recorded May 26, 1919 - Book 73, page 148 - Consideration, \$7,800
--
- 6
Geneva E. Neel, a single woman
to
The Federal Land Bank of Omaha, Neb.
Same as 50/345, No. 2, above; all in Twp. 88, Range 25; 69.5 acres.

- Mortgage. Dated May 15, 1919 - Recorded May 26, 1919 - Book 73, page 149 - Consideration, \$7,000
--
- 7
Minnie F. Neel and husband, Will A.
to
The Federal Land Bank of Omaha, Neb.
Same as 50/346, No. 3, above; all in Twp. 88, Range 25; 95.4 acres.

- Mortgage. Dated May 15, 1919 - Recorded May 26, 1919 - Book 73, page 150 - Consideration, \$10,000

- 8
Glenn W. Neel, single
to
Will A. Neel
Same as 50/344, No. 1, above; Sec. 18, Twp. 88, Range 25; 78.2 acres.
States: "This is a gift from son to father." No Revenue Stamps. No mention of mortgage.

W. D. Dated June 12, 1919 - Recorded June 12, 1919 - Book 50, page 356 - Consideration, \$1.00 and love and affection
--
- 9
Geneva E. Neel, single
to
Will A. Neel
Same as 50/345, No. 2, above; all in Twp. 88, Range 25; 69.5 acres.
States: "This is a gift from daughter to father." No Revenue Stamps. No mention of mortgage.

W. D. Dated June 12, 1919 - Recorded June 12, 1919 - Book 49, page 629 - Consideration, \$1.00 and love and affection
--
- 10
Minnie F. Neel
to
Will A. Neel, my husband
Same as 50/346, No. 3, above; all in Twp. 88, Range 25; 95.4 acres.
States: "This is a gift from wife to husband." No Revenue Stamps. No mention of mortgage.

W. D. Dated June 12, 1919 - Recorded June 12, 1919 - Book 50, page 357 - Consideration, \$1.00 and love and affection
--

\$85,000 TAX FREE 5 PER CENT BONDS

These pictures represent buildings on the farm of Joseph James O'Laughtin. They are located on a farm of 707 acres, near the town of Rome, in Henry County, Iowa.

Mr. O'Laughtin borrowed \$85,000 at 6 per cent interest from the First Joint Stock Land Bank of Chicago. The mortgage was filed for record December 27, 1918, and is recorded in Land Mortgage Book 136, page 347. The amount is payable in sixty-six semi-annual installments.

This loan is now represented by \$85,000 of 5 per cent tax free bonds. Some shrewd investor is collecting \$4,250 every year on these bonds. He pays no income taxes and he pays no property taxes. If the investor has an income which makes his regular income tax 50 per cent, the National Treasury will lose \$2,125 this year. If the investor has a large income so that his tax is 77 per cent, the National Treasury will lose \$3,272.50 this year. In addition to that, the local treasury, where the man lives, will be the loser to the extent of the local property tax on the bonds.

This loss to the National Treasury and to the local treasury is entirely unnecessary. There are plenty of reliable loan companies, loaning money in Iowa at 5½ and 6 per cent interest and taking taxable mortgages. It is against public policy for the National Government to suffer these losses which impose additional burdens on other tax payers, in order to finance big real estate operations of this kind.

We understand that the Joint Stock Land Banks are now not permitted to loan over \$50,000 to one individual. That, however, makes no difference in the loss through tax exemption of bonds.

CHEAPER TO GIVE FARMERS PENSIONS

Benefits of tax exemption are not passed on to the borrower.

A wealthy investor liable to seventy-seven per cent income tax would be required to pay \$38.50 on \$50 of income received on a five per cent \$1,000 tax-free farm loan bond.

It is shown by careful investigation that the average farmer cannot possibly benefit over one-half of one per cent because of tax exemption of farm loan bonds. This would benefit the farm borrower \$5.00 per year on \$1,000 borrowed, while the wealthy holder of the bonds would benefit \$38.50.

If Congress would make the bonds taxable and collect \$38.50 income tax from the bondholder, the farmer could be paid \$5.00 a year as a pension from the National Treasury and leave the National Treasury \$33.50 profit.

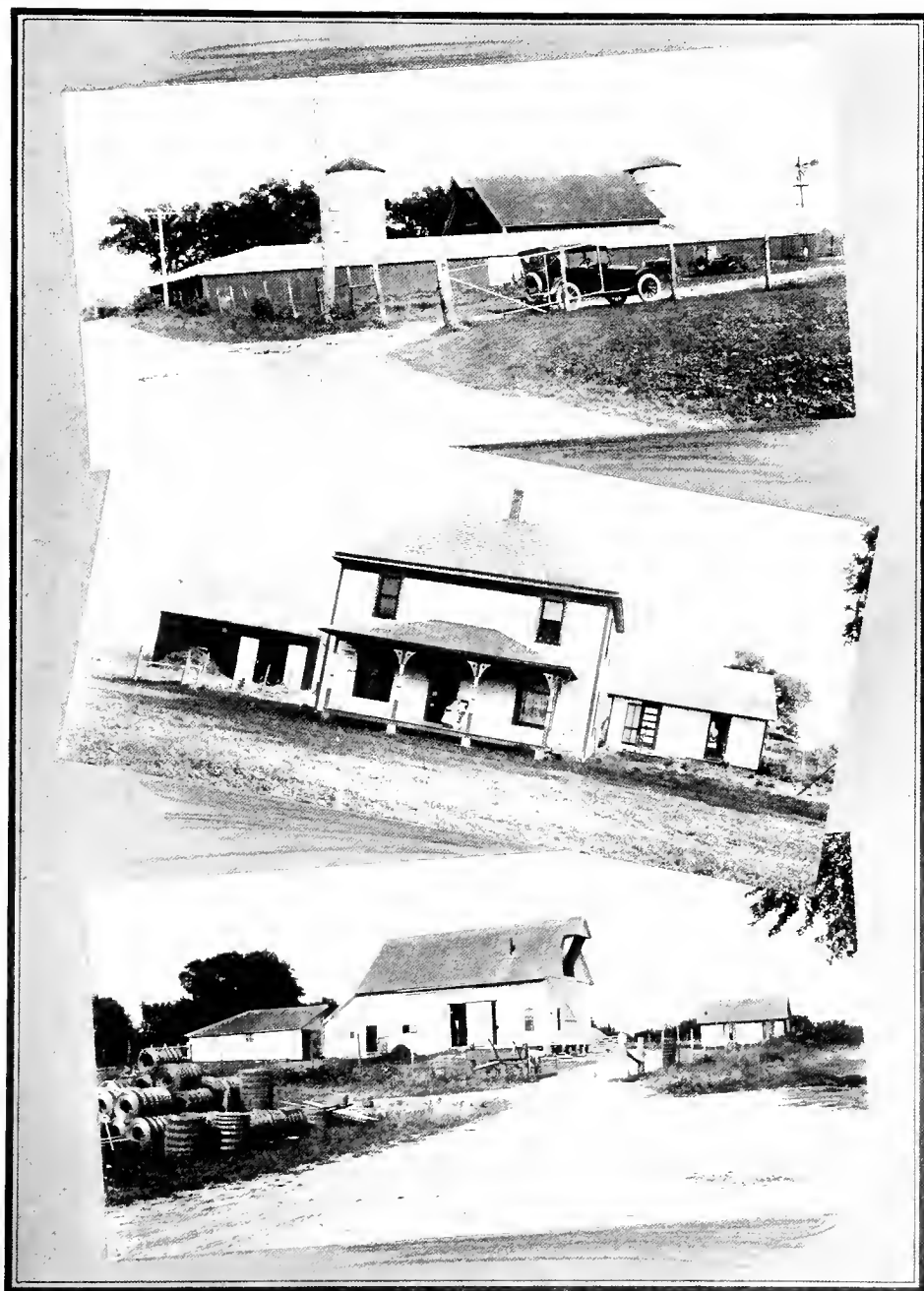
This \$33.50 profit would help reduce war taxes and also aid in keeping down the high cost of living.

The repeal of the tax exemption section would not in any way interfere with the purposes for which the Federal Farm Loan Act was originally promoted and enacted.

NO POLITICS IN TAX PAYING

Rural credit legislation was begun under the Taft administration and completed under the Wilson administration. The Congressional Record shows that it was in no sense a political measure. Democrats and Republicans and Progressives favored it before the present income tax was imposed and the war debt incurred.

Democrats and Republicans own Liberty Bonds. Democrats and Republicans pay war taxes alike. Necessary amendments to correct economic blunders will be non-partisan.



BUILDINGS ON FARM OF JOSEPH JAMES O'LAUGHTIN

FRAUDS ARE OFFICIALLY ENCOURAGED

BORROWERS INVITED TO BREAK LAW

The recklessness with which the Federal Farm Loan Board and the Federal Land Banks disregard the express provisions of the Federal Farm Loan Act can best be shown by direct quotations from circulars and other publications officially issued.

VIOLATIONS OF LAW SUGGESTED

Hon. Geo. W. Norris, Federal Farm Loan Commissioner, said, in his address to the Pennsylvania State Bankers' Association, of the Federal Land Banks:

"These banks were authorized to make loans to farmers cultivating their own lands, every loan to be secured by an absolutely first mortgage, and no loan to exceed \$10,000."

The instructions of the Board and its published rulings have invited the making of loans larger than \$10,000. In the "Borrowers' Bulletin" of January, 1918, page 7, the following ruling was printed:

"Husband and wife owning lands in severalty may each borrow on their respective lands, the limit to each being \$10,000."

Since that publication the practice has been to put a more liberal interpretation on the law as shown in the Ames case and in the Hoyer and Shultz case.

The size of a loan seems to be limited only by the valuation of the property and the number of dummies the borrower can induce to temporarily accept quitclaim deeds while they borrow the money for him from the Federal Land Bank.

There are twelve loans in excess of \$10,000 in one county which has been investigated. There are about 3,000 counties in the United States.

The answers to questions 5 and 6, on page 6 of "Borrowers' Bulletin," for April-May, 1919, show that there is no pretense that a man must cultivate his own land. He may sell to a man who is not a farmer immediately after getting his loan.

The questions and answers officially published are as follows:

5. *Question. Will mortgaging my farm to the Federal Land Bank prevent my selling it, or any part of it, if I should want to do so?*

Answer. Not in the least. There is no limitation on the sale of your land. You may sell it to whom you please, when you please, and need not consult the Federal Land Bank. However, a loan with the Federal Land Bank facilitates the sale of the farm. A purchaser prefers assuming a long-time loan with low interest and easy payments to paying cash.

6. *Question. Does a farmer have to live on the farm mortgaged to be able to make a loan with the land bank?*

Answer. No. Neither does he have to be a farm hand. The rules as to this are about as follows: The borrower must cultivate the land mortgaged, personally or by hired labor. But since he is permitted to pay the wages in a part of the crop, as well as in money, this rule practically amounts to this: The borrower must reserve the right to enter and control his farm and to direct the farming operations, and must exercise such right to the extent of seeing that the soil is conserved, improvements kept up, and that crops are cultivated in good farmer-like manner. This supervision may be exercised personally or by an agent.

The farm owner is in fact invited to make a long-time loan of the Federal Land Bank so he can more readily sell his farm and move away or so he can become a non-resident landlord and have an agent rent the farm for him for a share of the crop by using a bogus lease called a contract for employment. Such a sale is a breach of faith with the bond buyer who has been assured that the farm will be cultivated by the owner.

This Agreement. Made in duplicate this..... day of

A. D. 19, by and between
owner of the real estate herein described (hereinafter called owner), and.....
of County, State of.....employee.

WITNESSETH, That the said employee hereby agrees to and with the said owner, for the consideration hereinafter named, to well and faithfully farm, wholly according to the directions of said owner, during the season of farming in the year 19....., in a good and farmer-like manner, and according to the usual course of husbandry, the following described real estate, situate in the county of.....and State of....., viz:

Section..... Township....., Range.....

It is further agreed

It is further agreed that this contract is to be construed as a contract of employment, and not as a lease.
In consideration of the faithful and diligent performance of the foregoing stipulations by the employee, and in full payment of all wages due said employee for season of 19....., the employer agrees to give, release and deliver to the employee.....
of all grain raised and secured from the said farm during the said season or seasons, or the proceeds thereof, if sold, after deducting any just indebtedness owing from the employee to the employer; until the division thereof, the title and possession of all the hay, grain, crops and produce raised, grown or produced on said premises shall be and remain in the owner.

IN WITNESS WHEREOF, the parties hereunto set their hands and seals the day and year first above written.

(SEAL)

Signed, sealed and delivered in presence of:

(SEAL)

(SEAL)

(SEAL)

STATE OF
COUNTY OF } ss.

On this..... day of..... 19....., before me,
a Notary Public in and for said County and State, personally appeared
and....., known to me to be the persons
described in and who executed the within instrument, and acknowledged to me that they executed the same.

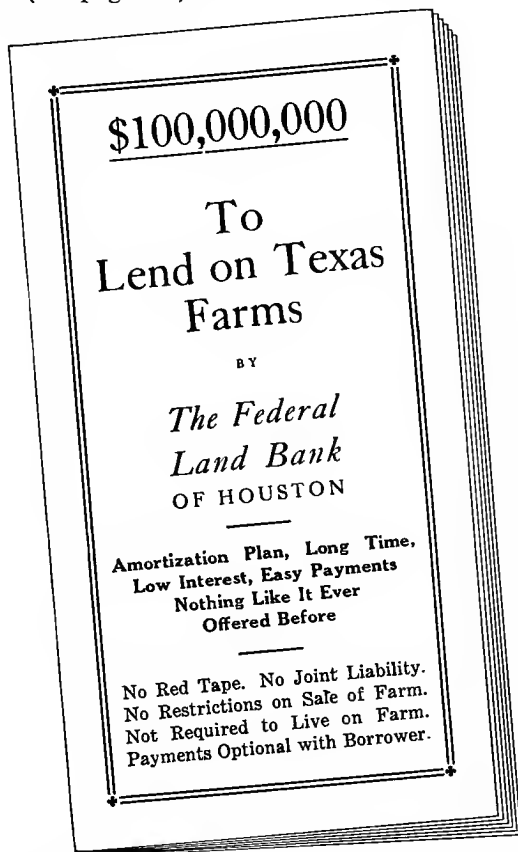
My commission expires..... Notary Public,.....Co.,.....

A BOGUS CONTRACT OF EMPLOYMENT

This is nothing more nor less than a lease for a share of the crop, by which the renter runs all of the risk, pays all of the bills and gives a share of the crop for the use of the land. If there is a crop failure he gets no compensation whatever. The lease shown is a photographic reproduction of one sent in from a state where the Federal Land Banks are very active.

These words cannot change the meaning of the law: "It is further agreed that this contract is to be construed as a contract of employment and not as

a lease." Those few words in the lease are supposed to transform the renter into an employee and to change the landlord into an actual farmer, though he may be a lawyer or a real estate agent living a hundred miles away. This is the idealistic way in which the number of farmer tenants is being reduced and the number of actual farmers increased. Read answer to question No. 6 as given by Federal Farm Loan Board (see page 34.)



This is the title page of a circular of which 50,000 were printed at one time.

The second page of this circular starts with this heading:

Details Plainly Explained

By S. A. LINDSEY

IN ANSWERS TO QUESTIONS
PROPOUNDED BY BORROWERS

The author then proceeds to explain the tricks by which the law is evaded. By adroit jugglery of language he tries to make the reader believe the statements of the last four lines on the title page. Many people would be deceived into thinking there is no joint liability.

This is a fair sample of the way the truth is perverted and the law violated to lure people into making Federal Land Bank loans.

"BLUE SKY" SALESMEN'S TACTICS

"Is it true that the borrower pays only 3.6 per cent interest on a 5½ per cent Federal Land Bank Loan?" asked a gentleman who had been reading one of the official documents of the United States Treasury Department, entitled the "Borrowers' Bulletin" and issued by the Federal Farm Loan Board. He had read a long article in this publication, in which the statement was made that the borrower pays only 3.6 per cent on the amount of the loan for the time it is borrowed. That is a fair sample of the artistic skill of the "blue sky" stock salesman who attempts to deceive the unwary. If a private corporation were to use tactics of that kind, it would be criticized by the Federal Trade Commission for deception. If a man borrows \$1,000 for two years at 6 per cent and pays the principal and \$60 interest at the end of the first year, at the end of the second year it can be said that he only paid 3 per cent interest on \$1,000 for the time for which he borrowed it—he borrowed it for two years, but only owed it for one year.

INTEREST IS PAID AT FULL RATE

When a man borrows \$1,000 from the Federal Land Banks at 5½ per cent interest, he pays 5½ per cent interest on every dollar that he owes for every minute that he owes it. He only owes \$1,000 for one year. On each succeeding year he owes a smaller amount, because part of the principal is paid annually. After twenty-four years he owes less than \$500 and during the last year of the thirty-five he owes less than \$60. The average interest rate of 3.6 per cent referred to is based on the assumption that he would owe \$1,000 for thirty-five years. The statement is therefore clearly untruthful, made with the intent to deceive, and it merits the most severe criticism.

Judge Lobdell makes two mis-statements in one sentence on page 16 of "Farm and Fireside" for October. He says:

"I do not think you farmers ought to pay a higher interest rate on your Government farm loans than you pay now, which is a little less than four per cent over a long period of years."

As a matter of fact they are not "Government loans," and the interest rate is 5½ per cent instead of "a little less than four." Ought such misrepresentations by salaried public officials to be permitted to go unrebuked?

JUDGE LOBDELL DENIES RESPONSIBILITY

Following the publication of the first edition of this pamphlet, Judge Lobdell, in a personal letter declared that he did not write the statements above quoted, but that they were inserted without his knowledge. In his letter the judge says: "Your criticism was fully justified on the article as it appeared, and I should be unworthy of the position I hold if I had made the statements which you criticize." As Judge Lobdell agrees with the compiler of this pamphlet that the statements are untrue and repudiates the language attributed to him by "Farm and Fireside," the public has been benefited by the exposure.

Under date of December 3, 1919, the editor of "Farm and Fireside" wrote Judge Lobdell, assuming full responsibility for two introductory paragraphs. The editor's letter to Judge Lobdell says: "I assure you that the two paragraphs were placed at the beginning of the article for the sole purpose of summarizing the sense of the article."

It is apparent that the editor of "Farm and Fireside" is a friend of Judge Lobdell. Without intent to cause him personal embarrassment, "Farm and Fireside" published Judge Lobdell's changed article in October. It was preceded by a note, signed by the editor, urging readers to write their congressmen supporting Judge Lobdell's plea for tax exemption of Federal Land Bank Bonds, because the Judge was specially well informed and capable of presenting the merits of his side of the controversy.

The two pivotal statements in Judge Lobdell's article as it was printed are untrue. "Farm and Fireside" claims a circulation of 624,000, and more than a million readers. The November, December, and January numbers have been printed, but no correction has been made. Thousands of people have been deceived and probably many have written their congressmen believing that the statements attributed to Judge Lobdell were true.

The compiler of this pamphlet is glad to give Judge Lobdell the benefit of all the facts to relieve him of personal embarrassment, but readers of "Farm and Fireside" cannot be set right

until the judge and the editor "come clean," by publishing in that magazine a complete and conspicuous repudiation of the untruths. It is to be hoped that the retraction of the October errors will not be postponed later than February.

The editor of "Farm and Fireside" cannot be seriously criticized for his mistake. He was probably familiar with the literature of the Federal Farm Loan Board, of which Judge Lobdell is a member, and with the circulars and advertisements describing Land Bank Bonds. He knows that the bonds are called "instrumentalities of the Government," and he therefore called them Government bonds. The editor probably read in the "Borrower's Bulletin," on page 6 of the April-May number, the following:

"This is an average of $3\frac{5}{16}\%$ interest on the sum borrowed."

He thought he was safely within bounds when he said the rate "is a little less than 4%."

He was misled just as hundreds of country editors and editors of agricultural papers have been deceived by the official publications of the Federal Farm Loan Board.

Personally, the judge will be entitled to exoneration for the two statements criticized as soon as a proper retraction appears in "Farm and Fireside." Officially, he can never evade responsibility for the literature issued by the Federal Farm Loan Board, which created the dilemma in which he now finds himself.

FEDERAL LAND BANKS LOSING POPULARITY

Six of the twelve Federal Land Banks did less business last year than the year before.

For the year ending September 30, 1919, the Federal Land Bank of Spokane, Wash., shows the largest decrease in business as compared with the previous year, with a decrease of \$3,420,339. St. Paul, Minn., comes second, with a decrease in loans of \$2,494,400; Berkeley, Cal., shows a reduction of \$1,296,400; Wichita, Kan., \$1,247,922; Springfield, Mass., \$261,430; and New Orleans, La., \$77,420.

These six banks show an aggregate decrease of \$8,797,911 when compared with the previous year ending September 30, 1918. The Third Annual Report of the Federal Farm Loan Board does not show this loss.

The table showing this information is found on page 137 of the annual report of the Secretary of the Treasury, submitted November 20, 1919. No reference to the reduced business is made in any Government report.

The other six Federal Land Banks showed an increase in business for the same months, aggregating more than the losses sustained by the first six referred to, so that the gross amount of business done by the twelve banks for the year ending September 30, 1919, was \$10,742,839 greater than for the previous year.

Omaha, Houston, and St. Louis were the three showing the largest increase, Omaha leading with an increase of \$5,849,400 over the previous year. It is noticeable that the Omaha bank made nearly half of its loans in the State of Iowa, these loans averaging the largest of any in the United States. It is further worthy of note that the greatest inflation of land values in 1919 was in the territory located within a radius of 250 miles of the city of Omaha. The Omaha bank, from organization to November 30, 1919, loaned \$17,995,150 in the State of Iowa.

The average rate of interest received by private investors, including costs for agents' commissions, is $5\frac{5}{16}\%$, according to a brief filed in the Supreme Court of the United States by the attorneys for the Joint Stock Land Banks. The Federal Land Banks charge $5\frac{1}{2}\%$, and finance their loans by selling tax-exempt bonds. This enormous amount of tax-exempt bonds has been created to make loans where the result is of the least benefit, through reduction of interest rates.

The Federal Land Banks were created especially to aid small farmers in high-interest-paying territory.

The loss of business in the territory of the six banks named, and the increase of business in the low-rate territory is an important matter for consideration in connection with the tax exemption of Farm Loan Bonds.

NOTE—Comparison of the year ending November 30, 1919, with the year ending November 30, 1918, shows slightly heavier losses for New Orleans and Berkeley, with gains for others, Spokane running behind \$2,820,765, Berkeley \$1,298,000, Springfield \$151,390, St. Paul \$102,600 and New Orleans \$97,815, with Wichita showing a gain of \$530,900 instead of a loss. Some of the other banks also increased their gains.

CAUSES RECKLESS SPENDING

In this time of high prices, the Thrift Branch of the Treasury Department at Washington is urging everyone to economize and to avoid reckless investments which may have to be paid for when prices go down. The Federal Farm Loan system, on the other hand, has used all of the wily arts of the "blue sky" stock salesman to induce farmers to take out loans and to make bigger loans. They have been told that the loans never come due and that they pay themselves and numberless other fairy tales. The result is that for every \$62 of old loans that have been refunded, \$38 of new mortgage debt has been created, according to their own statements.

On this basis, the mortgage indebtedness of these farmers has been increased \$107,300,000. At that rate the farm mortgage debts of the country will be increased to nearly \$10,000,000,000 by the time the Federal Farm Loan system gets the mortgages all refunded. This tremendous increase in time of war, when economic leaders are preaching thrift, shows a dangerous tendency. This estimate is corroborated by an able article written by Hon. Herbert Quick which appeared in "Printers' Ink," a magazine published to encourage advertising, in its issue for August 28th.

The main point on the part of many of the land banks has been to secure as large a volume of loans as possible regardless of whether the original intent of the law was carried out or not.

THE CONSUMER PAYS THE TAXES

Hon. Louis F. Post, Assistant Secretary of Labor, recently stated with regard to the payment of wages:

Business men and employers are overlooking the fact that the real employer of labor is the consumer—the laboring man himself. Every man who is put to work, whether it be building a house, constructing a road, or digging a ditch, is employing other men—men who sell him food and clothes—and these in turn employ others who manufacture the food and clothes.

In a speech in Congress February 28, 1919, Congressman L. T. McFadden of Pennsylvania said, after quoting the foregoing:

"I desire to add that the real taxpayer is the consumer. Everything he eats, wears, or uses, is made higher priced by the increased taxes paid by merchants and manufacturers when they are compelled to carry the tax burdens evaded by owners of tax-free bonds. The man and woman who consume all of their incomes every year pay a heavier proportionate indirect consumption tax than those who have larger incomes and are thus enabled to save part."

TEXAS LAND BANK OFFICIALS ACTIVE

"The two head officials of the Houston Land Bank are traveling pretty extensively over the State, no doubt, at the expense of the institution, urging the various publications, farm associations, and other means of publicity, to advocate the raising of the maximum loan of the land bank from \$10,000 to \$25,000," according to a letter from Mr. F. O. Ketcham of Dallas, Texas.

The correctness of Mr. Ketcham's information is fully established by the following from the "Dallas Journal" of December 26th: "A meeting of editors of agricultural journals and heads of farmers' organizations in Texas has been called by Judge M. H. Gossett, president of the Farm Loan Bank at Houston, on January 3d, in that city, to consider a proposed amendment to the Federal Farm Loan Act increasing the maximum amount that can be loaned by Federal Land Banks from \$10,000 to \$25,000. Judge Gossett is in Dallas, Friday, conferring with bankers and business men in regard to the meeting and perfecting plans for presenting the proposed amendment. He is accompanied by C. E. Leddy, registrar of the bank at Houston."

It is easier for Federal Land Banks to make one loan of \$25,000 than to make ten loans of \$2,500 each. Congress has subsidized the Federal Land Banks by appropriations and exemptions for the purpose of helping farmers of small means. The land banks are subverting the law by aiding wealthy land owners who must have property valued at \$50,000 or more, in order to borrow \$25,000. They ought not to receive charity at the expense of other borrowers.

CREATING CAPITALISTIC ARISTOCRATS

William MacMaster of Portland, Ore., has studied the history of England to good purpose. He says of the tax exemption of farm loan bonds: "If the present laws are allowed to continue in force, it will not be long until this country will be burdened with a specially favored class of tax-exempt security holders which will occupy much the same position in the United States as that at one time occupied by the aristocratic land-owning classes in Great Britain. In short, the holders of such securities will become the capitalistic aristocrats of this country, and the producers, manufacturers, and the business classes generally will be laboring to pay the taxes to protect the untaxed wealth of that favored class."

Mr. MacMaster also says: "I am very glad, indeed, to know that the result of your educational campaign is beginning to make itself felt throughout the country, for I believe that when the people understand the real situation they will generally realize the fallacy of permitting so many tax-exempt securities to be issued."

PREPAYMENTS ARE EXPENSIVE

Mr. L. Moore made a loan on December 18, 1918, with the Federal Land Bank of Wichita, Kan., for the amount of \$9,500. Mr. Moore gave a mortgage for \$9,500 and he received \$9,025 in cash. \$475 was deducted on account of the 5% Federal Land Bank stock. Within a few months Mr. Moore sold his farm to Chas. Ashford. Mr. Ashford declined to buy the land unless the Federal Land Bank mortgage was removed, as he was unfavorable to the amortized loan proposition, and he did not want to borrow such a large amount. The necessary arrangements were made with the Wichita Federal Land Bank to permit Mr. Moore to pay off his Federal Land Bank loan so as to complete his sale to Chas. Ashford. On April 16, 1919, the Federal Land Bank loan was paid off. The loan had been running four months, lacking two days, from December 18, 1918, to April 16, 1919. The Wichita Federal Land Bank charged Mr. Moore a bonus of $\frac{1}{2}$ of 1% per year for the $42\frac{2}{3}$ years unexpired before the five-year optional payment date. It cost Mr. Moore exactly \$211 to secure the privilege of paying off his mortgage four months after it was given. He was obliged to pay \$172.71 interest on \$9,500, and \$211 bonus for the privilege of prepayment, making a total cost of \$383.71 for the use of \$9,025 for three months and twenty-eight days. It is well to bear in mind constantly that the \$475 deducted for the 5% stock was not in his possession to use during the four months, therefore he paid interest on money that he did not have.

The Federal Land Loan Bank Law Not Understood

ONE FEATURE OF IT IS INJURIOUS AND SHOULD BE CHANGED

READ THIS: YOU WILL AGREE

*Whether you are a Farmer, Merchant, Banker or Lawyer, Railroader, Clerk, Preacher
or Housekeeper.*

FIRST: That part of the law lending money at $5\frac{1}{2}\%$ to encourage production, improve farms, etc., is good—ALL WILL AGREE.

SECOND: That part allowing the multi-millionaire to buy the farmer's notes and pay no taxes on them is bad—ALL WILL EQUALLY AGREE.

Why?

FIRST: The millionaire is escaping his part of the taxes.

SECOND: The people who are poor and of moderate means are paying the millionaire's taxes for him. Do you ask how? Read on and see.

THIRD: Over \$5,000,000,000 is demanded with which to run the government next year. It's got to come. The millions of dollars the rich men of the nation are putting into these Federal Land Bank Notes WILL NOT BEAR ONE CENT OF TAXATION TO RAISE THAT FEARFUL PILE OF \$5,000,000,000. Why? Because these notes are not taxable for any purpose.

FOURTH: YOU ASK HOW THAT HURTS YOU.

(a) 20,000,000 Americans own Liberty Bonds. They are quoted at 92 to 95. THEY ARE TAXABLE. The rich man prefers to buy the farm notes. THEY ARE NOT TAXABLE. They are quoted at 102. These 20,000,000 of people have already lost nearly a billion dollars on this market price for their bonds.

(b) The \$5,000,000,000 has to come. The rich buyer of Federal Farm Notes escapes paying one cent of it, THEREFORE PRODUCTION, RAW MATERIAL, TRANSPORTATION, IMPORTS, all have to be more heavily taxed to pay that five billions.

FIFTH: WHO PAYS IT? YOU, THE CONSUMER, including the farmer, for his labor, farm implements, clothing and groceries. The wealthy escape by buying these notes and the consumer puts up the rich man's part of that back-breaking \$5,000,000,000 of taxes.

SIXTH: High cost of living has come to stay until wealth is made to bear its part of the burden of taxation.

REMEDY IN PART

Get our Congressmen and Senators to wake up and make these notes taxable. Let the farmer have his money at $5\frac{1}{2}\%$, but make the millionaire pay taxes on the notes like the rest of us are paying on our Government bonds. IS THAT FAIR? IS IT NOT HONEST? IS IT NOT RIGHTEOUS? IS IT NOT AMERICANISM? IS IT NOT JUST,—That wealth, much of which was made out of the war needs and demands, be made to pay its part of taxation?

I do not believe it takes a scholar, a philosopher, an economist, to see this. I think that every American citizen will see it and believe it when he understands it.

H. C. GLENN, *President*

Temple Trust Co.

TEMPLE, TEXAS

